Province of
Newfoundland and Labrador

Financial Statements of Crown Corporations, Boards and Authorities
(N - Z)

FOR THE YEAR ENDED
31 MARCH 2012

Newfoundland
Labrador

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For The Year Ended 31 March 2012

PRINTED UNDER AUTHORITY OF THE HOUSE OF ASSEMBLY

INTRODUCTION

The Financial Statements of Crown Corporations, Boards and Authorities are a reproduction of the available audited financial statements of various Government organizations as approved by the applicable boards of these organizations. This report is produced alphabetically in two books; A to M and N to Z. The fiscal years noted in the table of contents are based on the fiscal year end of the organization. This report includes board-signed financial statements of crown corporations, boards and authorities for their most recent fiscal year end up to March 31, 2012. In certain instances, the financial statements for their prior fiscal year end are included due to timing of obtaining board signatures. Financial statements older than two previous fiscal year ends are excluded from this report.

Information on the financial position and results of operations of the Province for the 2011-12 fiscal year may be found in the following financial reports:

Public Accounts Volume I – Consolidated Summary Financial Statements

This volume presents the summary financial statements which consolidate the financial statements of the Consolidated Revenue Fund with the financial statements of various Crown Corporations, Boards and Authorities, as approved by Treasury Board, which are controlled by the Government of Newfoundland and Labrador.

Public Accounts Volume II – Consolidated Revenue Fund Financial Statements

This Volume presents the financial position of the Consolidated Revenue Fund and the results of its activities on an accrual basis.

Report on the Program Expenditures and Revenues of the Consolidated Revenue Fund

This report presents the actual budgetary contribution (requirement) of the Consolidated Revenue Fund along with details on the actual revenues and expenditures, by program, using the modified cash basis of accounting.

The Financial Statements of Crown Corporations, Boards and Agencies are also available on the Government's website at: http://www.fin.gov.nl.ca/fin/public_accounts/index.html

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This report includes the most recent fiscal year financial statements (current or one prior year), up to March 31, 2011, those have been received prior to the publication date. All earlier fiscal year statements have been excluded from this report. The financial statements of the following agencies were not received in time for the inclusion in this report:

C.A. Pippy Park Commission (2012)
C.A. Pippy Park Golf Course Limited (2011 & 2012)
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Nalcor Energy
Financial Statements
December 31, 2011

MANAGEMENT REPORT

The accompanying Consolidated Financial Statements of Nalcor Energy, and all information in the Business and Financial Report, are the responsibility of management and have been approved by the Board of Directors.

The Consolidated Financial Statements have been prepared by management in accordance with Canadian generally accepted accounting principles, applied on a basis consistent with that of the preceding year. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to March 23, 2012. Financial information presented elsewhere in the Business and Financial Report is consistent with that in the Consolidated Financial Statements.

Management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for the appropriate delegation of authority and segregation of responsibilities. An internal audit department independently evaluates the effectiveness of these internal controls on an ongoing basis, and reports its findings to management and to the Audit Committee of the Board of Directors.

The responsibility of the external auditor, Deloitte & Touche LLP, is to express an independent, professional opinion on whether the Consolidated Financial Statements are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditors' Report outlines the scope of their examination and their opinion.

The Board of Directors, through its Audit Committee, is responsible for ensuring that management fulfills its responsibility for financial reporting and internal controls. The Audit Committee meets regularly with management, the internal auditors and the external auditors to satisfy itself that each group has properly discharged its respective responsibility and to review the Consolidated Financial Statements before recommending approval by the Board of Directors. The internal and external auditors have full and free access to the Audit Committee, with and without the presence of management.

Ed Martin
President and Chief Executive Officer

Derrick Sturge
Vice President, Finance and Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT

To the Lieutenant-Governor in Council
Province of Newfoundland and Labrador

We have audited the accompanying consolidated financial statements of Nalcor Energy, which comprise the consolidated balance sheet as at December 31, 2011 and the consolidated statements of income and retained earnings, comprehensive income and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Nalcor Energy as at December 31, 2011, and the results of its operations and its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
St. John's, NL
Canada
March 23, 2012

CONSOLIDATED BALANCE SHEET

As at December 31 (millions of dollars)	2011	2010
ASSETS		
Current assets		
Cash and cash equivalents	18.7	44.5
Short term investments	16.9	15.7
Accounts receivable (Note 21 p)	163.6	93.6
Current portion of regulatory assets (Note 6)	2.8	3.8
Inventory	63.5	63.0
Prepaid expenses	4.8	4.7
Derivative assets	0.2	2.0
	270.5	227.3
Property, plant and equipment (Note 4)	2,108.6	1,968.7
Petroleum and natural gas properties (Note 5)	304.2	269.2
Regulatory assets (Note 6)	63.6	65.9
Other long term assets (Note 7)	294.0	273.7
	3,040.9	2,804.8
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	156.1	152.1
Current portion of long term debt (Note 9)	8.2	8.2
Current portion of regulatory liabilities (Note 6)	137.6	118.9
Deferred credits (Note 21)	11.3	2.6
Derivative liabilities	0.2	0.3
	313.4	282.1
Long term debt (Note 9)	1,131.5	1,136.7
Regulatory liabilities (Note 6)	33.3	40.9
Asset retirement obligations (Note 10)	24.8	14.8
Long term payables (Note 11)	42.7	4.6
Employee future benefits (Note 12)	67.6	60.3
	1,613.3	1,539.4
SHAREHOLDER'S EQUITY		
Share capital (Note 13)	122.5	122.5
Contributed capital (Note 13)	390.5	374.1
	513.0	496.6
Accumulated other comprehensive income (Note 14)	46.4	27.3
Retained earnings	868.2	741.5
	914.6	768.8
	1,427.6	1,265.4
	3,040.9	2,804.8

Commitments and contingencies (Note 20)

See accompanying notes

On Behalf of the Board

Ed Martin
Director

Gerald Shortall
Director

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

For the year ended December 31 (millions of dollars)	2011	2010
Revenue		
Energy sales	695.6	588.8
Interest and finance income (Note 17)	20.2	18.0
Other revenue	14.1	13.3
	729.9	620.1
Expenses		
Fuels	156.7	140.4
Power purchased	52.9	44.4
Operations and administration	199.9	181.9
Interest and finance charges (Note 17)	108.4	105.1
Amortization and depletion	87.7	67.5
Other income and expense	(2.4)	3.3
	603.2	542.6
Net income	126.7	77.5
Retained earnings, beginning of year	741.5	664.0
Retained earnings, end of year	868.2	741.5

See accompanying notes

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31 (millions of dollars)	2011	2010
Net income	126.7	77.5
Other comprehensive income		
Change in fair value of available for sale financial instruments	31.6	20.6
Change in fair value of derivatives designated as cash flow hedges	0.1	1.1
Amounts recognized in net income	(12.6)	(16.4)
Comprehensive income	145.8	82.8

See accompanying notes

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31 (millions of dollars)	2011	2010
Cash provided by (used in)		
Operating activities		
Net income	126.7	77.5
Adjusted for items not involving a cash flow		
Amortization and depletion	87.7	67.5
Accretion of long term debt	0.5	0.4
(Gain) loss on disposal of property, plant and equipment	(2.7)	0.7
Unrealized loss on derivative instruments	0.5	0.3
	212.7	146.4
Changes in non cash working capital balances (Note 18)	(44.9)	64.8
	167.8	211.2
Financing activities		
Increase in contributed capital	16.4	40.6
Increase (decrease) in deferred credits	8.7	(0.5)
Long term debt retired		(29.3)
Increase in long term payables	38.1	0.3
	63.2	11.1
Investing activities		
Additions to property, plant and equipment	(191.4)	(113.6)
Additions to petroleum and natural gas properties	(63.2)	(82.7)
Increase in other long term assets	(5.7)	(29.5)
(Increase) decrease in short term investments	(1.2)	33.5
Proceeds on disposition of property, plant and equipment	4.7	0.5
	(256.8)	(191.8)
Net (decrease) increase in cash	(25.8)	30.5
Cash position, beginning of year	44.5	14.0
Cash position, end of year	18.7	44.5
Cash position is represented by		
Cash	18.7	44.3
Cash equivalents		0.2
	18.7	44.5

Supplementary cash flow information (Note 18)

See accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS

Nalcor Energy (Nalcor) is incorporated under a special act of the Legislature of the Province of Newfoundland and Labrador (the Province) as a Crown corporation and its business includes the development, generation and sale of electricity, oil and gas, industrial fabrication and energy marketing.

Nalcor holds interests in the following subsidiaries and jointly controlled companies:

Newfoundland and Labrador Hydro (Hydro) is incorporated under a special act of the Legislature of the Province. The principal activity of Hydro is the generation, transmission and sale of electricity. Hydro's operations include both regulated and non-regulated activities.

Churchill Falls (Labrador) Corporation Limited (Churchill Falls) is incorporated under the laws of Canada and owns and operates a hydroelectric generating plant and related transmission facilities situated in Labrador which has a rated capacity of 5,428 megawatts (MW).

Nalcor Energy - Oil and Gas Inc. (Oil and Gas) is incorporated under the Corporations Act of Newfoundland and Labrador. Oil and Gas has a broad mandate to engage in upstream and downstream sectors of the oil and gas industry including exploration, development, production, transportation and processing.

Nalcor Energy – Bull Arm Fabrication Inc. (Bull Arm Fabrication) is incorporated under the Corporations Act of Newfoundland and Labrador. Bull Arm Fabrication is Atlantic Canada's largest industrial fabrication site and has a fully integrated infrastructure to support large scale fabrication and assembly. Its facilities include onshore fabrication halls and shops, a dry-dock and a deepwater site.

Twin Falls Power Corporation (Twin Falls) is incorporated under the laws of Canada and has developed a 225 MW hydroelectric generating plant on the Unknown River in Labrador. The plant has been inoperative since 1974.

Nalcor also has two inactive subsidiaries, Gull Island Power Corporation (GIPCo) and Lower Churchill Development Corporation (LCDC).

Nalcor and its subsidiaries and jointly controlled companies, other than Twin Falls, are exempt from paying income taxes under Section 149 (1) (d) of the Income Tax Act.

2. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP).

PRINCIPLES OF CONSOLIDATION

The Consolidated Financial Statements include the financial statements of Nalcor and its subsidiary companies: Hydro (100% owned), Oil and Gas (100% owned), Bull Arm Fabrication (100% owned), GIPCo (100% owned) and LCDC (51% owned). Intercompany transactions and balances have been eliminated upon consolidation.

Effective June 18, 1999, Hydro, Churchill Falls and Hydro-Quebec entered into a shareholders' agreement which provided, among other matters, that certain of the strategic operating, financing and investing policies of Churchill Falls be subject to approval jointly by representatives of Hydro and Hydro-Quebec on the Board of Directors of Churchill Falls. Although Hydro retains its 65.8% ownership interest, the agreement changed the nature of the relationship between Hydro and Hydro-Quebec, with respect to Churchill Falls, from that of majority and minority shareholders, respectively, to that of joint venturers. Accordingly, Hydro has applied the proportionate consolidation method of accounting for its interest in Churchill Falls subsequent to the effective date of the shareholders' agreement.

Churchill Falls holds 33.33% of the equity share capital of Twin Falls and is a party with other shareholders in a participation agreement which gives Churchill Falls joint control of Twin Falls. This investment is accounted for by the proportionate consolidation method.

Substantially all of Oil and Gas' activities are conducted jointly with others and accordingly these statements reflect only Nalcor's proportionate interest in such activities.

USE OF ESTIMATES

Preparation of these Consolidated Financial Statements requires the use of estimates and assumptions that affect the amounts reported and disclosed in these statements and related notes. Key areas where management has made complex or subjective judgements include the fair value and recoverability of assets, the reported amounts of revenue and expenses, litigation, environmental and asset retirement obligations, amortization, property, plant and equipment, the valuation of oil and gas reserves and related depletion and other employee future benefits. Actual results may differ from these estimates, including changes as a result of future decisions made by the Newfoundland and Labrador Board of Commissioners of Public Utilities (PUB), and these differences could be material.

RATES AND REGULATIONS

Hydro's revenues from its electrical sales to most customers within the province are subject to rate regulation by the PUB. Hydro's borrowing and capital expenditure programs are also subject to review and approval by the PUB. Rates are set through periodic general rate applications utilizing a cost of service (COS) methodology. The allowed rate of return on rate base is 7.4% (2010 - 7.4%). Hydro applies various accounting policies that differ from enterprises that do not operate in a rate regulated environment. Generally these policies result in the deferral and amortization of costs or credits which will be recovered or refunded in future rates. In the absence of rate regulation these amounts would be included in the determination of net income in the year the amounts are incurred. The effects of rate regulation on the Consolidated Financial Statements are more fully disclosed in Note 6.

CASH AND CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

Cash and cash equivalents and short-term investments consist primarily of Canadian Treasury Bills and Banker's Acceptances (BAs). Those with original maturities at date of purchase of three months or less are classified as cash equivalents whereas those with original maturities beyond three months and less than 12 months are classified as short-term investments. The short-term investments bear interest rates of 0.74% to 1.24% (2010 - 0.40% to 1.35%) per annum. Cash and cash equivalents and short-term investments are measured at fair value.

INVENTORY

Inventory is recorded at the lower of average cost and net realizable value.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is recorded at cost, which comprises materials, labour, contracted services, other costs directly related to construction and an allocation of certain overhead costs. Expenditures for additions and betterments are capitalized and normal expenditures for maintenance and repairs are charged to operations. The cost of property, plant and equipment under construction is transferred to property, plant and equipment in service when construction is completed and facilities are commissioned, at which point amortization commences.

Contributions in aid of construction are funds received from customers and governments toward the incurred cost of property, plant and equipment or the fair value of assets contributed. Contributions are recorded as a reduction to property, plant and equipment and the net property, plant and equipment is amortized.

Gains and losses on the disposal of property, plant and equipment are recognized in Other income and expense as incurred.

Nalcor, Oil and Gas and Bull Arm Fabrication

Amortization is calculated on a straight-line basis over service lives ranging from four to 30 years.

Hydro

Construction in progress includes the costs incurred in engineering and construction of new generation, transmission and distribution facilities. Interest is charged to construction in progress at rates equivalent to Hydro's weighted average cost of capital.

Amortization is calculated on hydroelectric generating plant and on transmission plant in service on the sinking fund method using interest factors ranging from 5.25% to 15.79%. Amortization on distribution system and other plant in service is calculated on the straight-line method. These methods are designed to fully amortize the cost of the facilities, after deducting contributions in aid of construction, over their estimated service lives.

Estimated service lives of the major assets are as follows:

Generation plant	
Hydroelectric	50, 75 and 100 years
Thermal	25 and 30 years
Diesel	20 years
Transmission	
Lines	40 and 50 years
Switching stations	40 years
Distribution system	30 years
Other	3 to 50 years

Hydroelectric generation plant includes the powerhouse, turbines, governors and generators, as well as water conveying and control structures, including dams, dykes, tailrace, penstock and intake structures. Thermal generation plant is comprised of the powerhouse, turbines and generators, boilers, oil storage tanks, stacks and auxiliary systems. Diesel generation plant includes the buildings, engines, generators, switchgear, fuel storage and transfer systems, dykes and liners and cooling systems.

Transmission lines include the support structures, foundations and insulators associated with lines at voltages of 230, 138 and 69 kilovolt (kV). Switching stations assets are used to step up voltages of electricity from generating to transmission and to step down voltages for distribution.

Distribution system assets include poles, transformers, insulators and conductors.

Other assets include telecontrol, computer software, buildings, vehicles, furniture, tools and equipment.

Churchill Falls

Amortization is calculated on a straight-line basis over the following estimated useful lives:

Hydroelectric generation plant	10 101 years
Transmission and terminals	14 74 years
Service facilities and other	3 79 years

CAPITALIZED INTEREST

Interest is charged to construction in progress until the project is complete at rates equivalent to the weighted average cost of debt or the last approved weighted average cost of capital for regulated assets. Capitalized interest cannot exceed actual interest incurred.

IMPAIRMENT OF LONG-LIVED ASSETS

Nalcor reviews the carrying value of its oil and gas properties and development projects at the end of each accounting period.

Nalcor reviews the carrying value of its other property, plant and equipment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss corresponding to the amount by which the carrying value exceeds fair value is recognized, if applicable.

PETROLEUM AND NATURAL GAS PROPERTIES

Nalcor employs the full cost method of accounting for oil and gas interests whereby all costs related to the acquisition, exploration for and development of petroleum and natural gas reserves are capitalized. Such costs include land acquisition costs, geological and geophysical costs, carrying charges of non-producing properties, drilling of productive and non-productive wells, the cost of petroleum and natural gas production equipment and administrative costs directly related to exploration and development activities.

Under the full cost method, capitalized costs, together with estimated future capital costs associated with proved reserves, are depleted and depreciated using the unit-of-production method based on estimated gross proved reserves at future prices and costs as determined by independent reservoir engineers.

Costs of acquiring and evaluating unproved properties and certain costs associated with major development projects are not subject to depletion until proved reserves are attributable to the property, production commences or impairment occurs. The carrying value of petroleum and natural gas properties is assessed annually or as circumstances dictate.

Impairment losses are recognized when the carrying value exceeds the sum of:

- the undiscounted future net cash flows from production of proved reserves based on forecast prices and costs;
- the costs of unproved properties, less impairment; and
- the costs of major development projects, less impairment.

The amount of impairment loss is the amount by which the carrying value exceeds the sum of:

- the fair value of proved and probable reserves; and
- the cost, less impairment, of unproved properties and major development projects.

ASSET RETIREMENT OBLIGATIONS

The fair value of the future expenditures required to settle legal obligations associated with the retirement of property, plant and equipment, is recognized to the extent that they are reasonably estimable. Asset retirement obligations are recorded as a liability at fair value, with a corresponding increase to property, plant and equipment. Accretion of asset retirement obligations is included in net income through Amortization and depletion. Differences between the recorded asset retirement obligation and the actual retirement costs incurred are recorded as a gain or loss in the settlement period.

EMPLOYEE FUTURE BENEFITS

Employees participate in the Province's Public Service Pension Plan, a multi-employer defined benefit plan. The employer's contributions are expensed as incurred.

Nalcor provides group life insurance and health care benefits on a cost-shared basis to retired employees, in addition to a severance payment upon retirement. The expected cost of providing these other employee future benefits is accounted for on an accrual basis and has been actuarially determined using the projected benefit method prorated on service and management's best estimate of salary escalation, retirement ages of employees and expected health care costs. The excess of net cumulative actuarial gains and losses over 10% of the accrued benefit obligation is amortized over the expected average remaining service life of the employee group.

REVENUE RECOGNITION

Electricity Sales

Revenue is recognized on the accrual basis, as power deliveries are made, and includes an estimate of the value of electricity consumed by customers in the year, but billed subsequent to year end. Sales within the province are primarily at rates approved by the PUB, whereas export sales and sales to certain major industrial customers are either at rates under the terms of the applicable contracts, or at market rates.

A power contract with Hydro-Quebec dated May 12, 1969 (the Power Contract) provides for the sale of a significant amount of the energy from Churchill Falls until 2041. The Power Contract has a 40-year term to 2016 which then renews for a further term of 25 years. The rate is predetermined in the Power Contract and decreases from the existing rate of 2.5426 mills per kWh to 2.0 mills per kWh upon renewal in 2016.

Churchill Falls receives revenues from Hydro-Quebec under a guaranteed winter availability contract (GWAC) through 2041. The GWAC provides for the sale of 682 MW of guaranteed seasonal availability to Hydro-Quebec during the months of November through March in each of the remaining years of the Power Contract.

The value of differences between energy delivered and the Annual Energy Base (AEB), as defined in the Power Contract, is tracked over a four-year period and then either recovered from or refunded to Hydro-Quebec over the subsequent four-year period, unless the balance is less than $1.0 million in which case it is recovered or refunded immediately. These long-term receivables or long-term payables are subject to interest at 7% per annum (2010 - 7%).

Oil Sales

Revenue from the sale of crude oil is recognized under the accrual method when the significant risks and rewards of ownership have passed and collection is reasonably assured. The transfer of risks and rewards is considered to have occurred when title to the product passes to the customer.

Revenue from properties in which Oil and Gas has an interest with other producers is recognized on the basis of the net working interest using the entitlement method. Under this method, crude oil produced and sold below or above Oil and Gas' net working interest results in an underlift or overlift position. Underlift or overlift positions are measured at market value and recorded as an asset or liability respectively.

FOREIGN CURRENCY TRANSLATION

Foreign currency transactions are translated into their Canadian dollar equivalent as follows:

(a) At the transaction date, each asset, liability, revenue or expense is translated using exchange rates in effect at that date.

(b) At the date of settlement and at each balance sheet date, monetary assets and liabilities are adjusted to reflect exchange rates in effect at that date. Any resulting gain or loss is reflected in income, except gains or losses on purchases of fuel which are included in the cost of fuel inventory.

FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Financial Instruments

Financial assets and financial liabilities are recognized on the balance sheet when Nalcor becomes a party to the contractual provisions of the instrument and are initially measured at fair value. Subsequent measurement is based on classification. Nalcor has classified each of its financial instruments into the following categories: financial assets and liabilities held for trading; loans and receivables; financial assets held to maturity; financial assets available for sale; and other financial liabilities.

Nalcor has classified its financial instruments as follows:

Cash and cash equivalents	Held for trading
Short-term investments	Available for sale
Accounts receivable	Loans and receivables
Derivative assets	Held for trading
Sinking funds - investments in same Hydro issue	Held to maturity
Sinking funds - other investments	Available for sale
Reserve fund	Available for sale
Long-term receivables	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities
Derivative liabilities	Held for trading
Long-term debt	Other liabilities
Long-term payables	Other liabilities

Each of these financial instruments is measured at amortized cost, except for cash and cash equivalents, short-term investments, sinking funds – other investments, reserve fund, derivative assets and derivative liabilities which are measured at fair value.

Transaction costs related to financial assets and financial liabilities are included as part of the cost of the instrument, with the exception of cash and cash equivalents and short-term investments which are expensed as incurred through interest and finance charges, based upon the pricing obtained during the quotation process. Discounts and premiums on financial instruments are amortized to income over the life of the instrument.

Derivative Instruments and Hedging Activities

Derivative instruments are utilized by Nalcor to manage market risk. Nalcor's policy is not to utilize derivative instruments for speculative purposes. Nalcor may choose to designate derivative instruments as hedges and apply hedge accounting if there is a high degree of correlation between price movements in the derivative instruments and the hedged items. Nalcor formally documents all hedges and the risk management objectives at the inception of the hedge. Derivative instruments that have been designated and qualify for hedge accounting are classified as either cash flow or fair value hedges.

During the year, Nalcor had foreign exchange forward contracts designated as cash flow hedges (Note 16). In a cash flow hedge relationship, the portion of unrealized gains or losses on the hedging item that is determined to be an effective hedge is recognized in Other Comprehensive Income (OCI), while the ineffective portion is recorded in net income. The amounts recognized in OCI are reclassified in net income when the hedged item affects net income. Nalcor had no cash flow hedges in place at December 31, 2011.

Nalcor had no fair value hedges in place at December 31, 2011 or 2010.

FUTURE ACCOUNTING CHANGES – INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

In October 2010, the Canadian Accounting Standards Board (AcSB) amended the introduction to Part 1 of the Canadian Institute of Chartered Accountants (CICA) Handbook – Accounting to allow qualifying entities with rate-regulated activities to defer the adoption of IFRS to January 1, 2012. Nalcor is a qualifying entity and chose to use the deferral option.

Although IFRS and Canadian GAAP are based on a similar conceptual framework there are a number of differences in recognition, measurement and disclosure. The areas with the highest potential impact on Nalcor are property, plant and equipment, regulatory assets and liabilities and petroleum and natural gas properties.

The International Accounting Standards Board (IASB) has deferred its work on rate-regulated activities accounting project and has not provided interim guidance for the recognition and measurement of regulatory assets and liabilities. Accordingly, Nalcor continues to assess existing IFRS guidance to determine the impact of differences that will apply to accounting for rate-regulated activities upon adoption of IFRS. In December 2011, Hydro applied to the PUB for approval to use IFRS as the basis for regulatory reporting.

Nalcor continues to assess the financial reporting impacts of the adoption of IFRS; however, the impact of IFRS will depend on the IFRS standards in effect at the time of conversion on January 1, 2012 and the accounting elections made.

3. CHANGE IN ESTIMATE

In 2010, Churchill Falls engaged a depreciation specialist to review the service lives of its property, plant and equipment. Based on the analysis performed, the service lives of Churchill Falls' property, plant and equipment were revised effective January 1, 2011. This change is treated as a change in estimate in accordance with CICA Section 1506, "Accounting Changes" and as such has been applied prospectively from January 1, 2011.

4. PROPERTY, PLANT AND EQUIPMENT

	Cost	Contributions in Aid of Construction	Accumulated Amortization	Net Book Value
(millions of dollars)			2011	
Electric generation	1,798.0	29.3	636.2	1,132.5
Electric transmission and distribution	889.7	68.2	298.4	523.1
Development projects	337.5			337.5
Other	330.3	24.7	190.1	115.5
	3,355.5	122.2	1,124.7	2,108.6

(millions of dollars)			2010	
Electric generation	1,767.6	29.5	615.9	1,122.2
Electric transmission and distribution	849.0	67.9	280.4	500.7
Development projects	240.1			240.1
Other	309.4	24.0	179.7	105.7
	3,166.1	121.4	1,076.0	1,968.7

As at December 31, 2011 the cost of assets under construction and therefore excluded from costs subject to amortization was $384.8 million (2010 - $257.7 million).

Included in Development projects is $329.0 million related to the lower Churchill hydroelectric development. On November 18, 2010, a term sheet was executed between Nalcor and Emera Inc. (Emera) to develop Muskrat Falls, a hydroelectric development on the lower Churchill River in Labrador, and related transmission assets. The agreement will result in the development of the 824 MW Muskrat Falls site, with power being transmitted over a new transmission line (the Labrador-Island Transmission Link) to be constructed from Labrador across the Strait of Belle Isle to the Avalon Peninsula on the island of Newfoundland, and the development of a new transmission system (the Maritime Transmission Link) from Newfoundland to Nova Scotia, for the provision of power to Emera in Nova Scotia and the provision of market access to Nalcor. Nalcor will also obtain transmission access in Nova Scotia, New Brunswick and Maine from Emera. The project has a total estimated cost of $6.2 billion (excluding financing costs). Nalcor will own and finance 100% of Muskrat Falls and the Labrador Transmission Assets. Nalcor and Emera, through a partnership in which Nalcor has the majority interest, will finance the Labrador-Island Transmission Link. The Maritime Transmission Link will be 100% owned and financed by Emera. During 2011, Nalcor continued to work towards sanction as well as finalizing commercial agreements with Emera.

5. PETROLEUM AND NATURAL GAS PROPERTIES

(millions of dollars)	2011	2010
Petroleum and natural gas properties	344.0	279.8
Less: accumulated depletion	39.8	10.6
	304.2	269.2

Internal costs directly related to acquisition, exploration and development activities capitalized in 2011 were $0.5 million (2010 - $0.6 million).

As at December 31, 2011, $139.1 million (2010 - $174.7 million) of accumulated costs of petroleum and natural gas properties were not subject to depletion and depreciation.

Oil and Gas properties include Nalcor's acquisition costs and proportionate share of exploration and development costs. Nalcor has a 4.9% working interest in the Hebron oil field, a 5.0% working interest in the White Rose Growth Project, and a 10% working interest in the Hibernia Southern Extension. Nalcor also has an average working interest of 71% in two onshore exploration permits in Parson's Pond on the Great Northern Peninsula. A third exploration permit in which Nalcor had a 62% interest has expired.

On February 17, 2011, Oil and Gas announced that it will not drill the third of a three well drilling program related to its exploration licenses in Parson's Pond on the West Coast of Newfoundland. The two drilled exploration wells are currently in a suspended state. The costs capitalized for Parson's Pond have been included in the calculation of 2011 depletion.

6. REGULATORY ASSETS AND LIABILITIES

(millions of dollars)	2011	2010	Remaining Recovery Settlement Period (years)
Regulatory assets			
Foreign exchange losses	64.7	66.8	30.0
Deferred major extraordinary repairs	0.6	2.3	0.8
Deferred energy conservation costs	1.1	0.6	n/a
Total regulatory assets	66.4	69.7	
Less current portion	2.8	3.8	
	63.6	65.9	
Regulatory liabilities			
Rate stabilization plan	170.3	159.2	n/a
Deferred purchased power savings	0.6	0.6	15.5
Total regulatory liabilities	170.9	159.8	
Less current portion	137.6	118.9	
	33.3	40.9	

Nalcor's subsidiary, Hydro, has operations that are regulated by the PUB.

Regulatory assets represent future revenues associated with certain costs, incurred in current or prior periods that are expected to be recovered from customers in future periods through the rate-setting process. Regulatory liabilities represent future reductions or limitations of increases in revenues associated with amounts that are expected to be refunded to customers as a result of the rate-setting process. Amounts deferred as regulatory assets and liabilities are subject to PUB approval. The risks and uncertainties related to regulatory assets and liabilities are subject to periodic assessment. When Hydro considers that the value of these regulatory assets or liabilities is no longer likely to be recovered or repaid through future rate adjustments, the carrying amount is reflected in operations. The following is a description of each of the circumstances in which rate regulation affects the accounting for a transaction or event.

RATE STABILIZATION PLAN

On January 1, 1986, Hydro, having received the approval of the PUB, implemented a rate stabilization plan (RSP) which primarily provides for the deferral of fuel expense variances resulting from changes in fuel prices, levels of precipitation and load. Adjustments required in retail rates to cover the amortization of the balance in the plan are implemented on July 1 of each year. Similar adjustments required in industrial rates are implemented on January 1 of each year.

Balances accumulating in the RSP, including financing charges, are to be recovered or refunded in the following year, with the exception of hydraulic variation, which will be recovered or refunded at a rate of twenty-five percent of the outstanding balance at year end. Additionally, a fuel rider is calculated annually based on the forecast fuel price and is added to, or subtracted from, the rates that would otherwise be in effect. A portion of the RSP balance totalling approximately $100 million has been set aside by the PUB and will be subject to a future regulatory ruling on the allocation between the industrial customers and retail customers. This balance is mainly due to reduced use of the Holyrood Thermal Generating Station (HTGS) leading to fuel savings at the HTGS as a result of the shut down of a portion of the pulp and paper industry in the province since 2007.

Hydro recognizes the RSP balances as a regulatory asset or liability based on the expectation that rates will be adjusted annually to provide for the collection from, or refund to, customers in future periods. In the absence of rate regulation, Canadian GAAP would require that the cost of fuel be recognized as an operating expense in the period in which it was consumed. In 2011, $20.9 million was deferred (2010 - $23.3 million recognized) in the RSP and $25.4 million (2010 - $2.3 million) was recovered through rates and included in energy sales, with the corresponding cost amortized in fuel expenses.

DEFERRED FOREIGN EXCHANGE LOSSES

Hydro incurred foreign exchange losses related to the issuance of Swiss Franc and Japanese Yen denominated debt in 1975 and 1985, respectively, which were recognized when the debt was repaid in 1997. The PUB has accepted the inclusion of realized foreign exchange losses related to long-term debt in rates charged to customers in future periods. Any such loss, net of any gain, is deferred to the time of the next rate hearing for inclusion in the new rates to be set at that time. Accordingly, these losses are recognized as a regulatory asset. In the absence of rate regulation, Canadian GAAP would require that Hydro include the losses in operating costs, in each year that the related debt was outstanding, to reflect the exchange rates in effect on each reporting date.

Commencing in 2002, the PUB ordered Hydro's deferred realized foreign exchange losses be amortized over a 40-year period. This amortization, of $2.1 million annually, is included in interest expense (Note 17).

DEFERRED MAJOR EXTRAORDINARY REPAIRS

In its report dated April 13, 1992, the PUB recommended that Hydro adopt a policy of deferring and amortizing the costs of major extraordinary repairs in excess of $0.5 million, subject to PUB approval on a case-by-case basis. In 2005, Hydro started an asbestos abatement program at the HTGS. This program was carried out over a three-year period. Pursuant to Order No. P.U. 2 (2005), the PUB approved the deferral and amortization of these costs as a major extraordinary repair. Accordingly, the costs incurred in each year of the program were recognized as a regulatory asset to be amortized over the subsequent five-year period. In 2006, Hydro incurred $2.3 million in expenses to repair a boiler tube failure at the HTGS. Pursuant to Order No. P.U. 44 (2006), the PUB approved the deferral and amortization of these costs as a major extraordinary repair. Accordingly, these costs are being amortized over a five-year period. In the absence of rate regulation, Canadian GAAP would require that Hydro expense the cost of the asbestos abatement program and the boiler tube repairs in the year incurred. In 2011, $1.7 million (2010 - $2.6 million) of amortization was recognized in Operations and administration expense.

DEFERRED ENERGY CONSERVATION COSTS

Pursuant to Order No. P.U. 14 (2009), Hydro received approval to defer costs associated with an electrical conservation program for residential, industrial and commercial sectors. Accordingly, these costs have been recognized as a regulatory asset. In the absence of rate regulation, Canadian GAAP would require that Hydro include this program as operating costs in the year incurred. In 2011, $0.5 million (2010 - $0.4 million) was deferred.

DEFERRED PURCHASED POWER SAVINGS

In 1997, Hydro interconnected communities in the area of L'Anse au Clair to Red Bay to the Hydro-Quebec system. In its report dated July 12, 1996, the PUB recommended that Hydro defer and amortize the benefits of a reduced initial purchased power rate over a 30-year period. These savings in the amount of $0.6 million (2010 - $0.6 million) are recognized as a regulatory liability. In the absence of rate regulation, Canadian GAAP would require that Hydro include the actual cost of purchased power in operating costs in the year incurred.

PROPERTY, PLANT AND EQUIPMENT

The PUB permits an allowance for funds used during construction (AFUDC), based on Hydro's weighted average cost of capital, to be included in the cost of capital assets and amortized over future periods as part of the total cost of the related asset. In 2011, Hydro's AFUDC of 7.6% is lower than its cost of debt of 8.4% and the amount capitalized is lower and interest expense is higher by $0.2 million than that which would be permitted under Canadian GAAP in the absence of rate regulation. In 2010, Hydro's AFUDC of 7.6% was higher than its cost of debt of 7.2% and the amount capitalized was higher and interest expense was lower by $0.1 million than that which would be permitted under Canadian GAAP in the absence of rate regulation.

Hydro amortizes its hydroelectric generating assets and transmission assets using the sinking fund method, as approved by the PUB. In the absence of rate regulation, these assets would likely be amortized using the straight-line method. During 2010, Hydro engaged an independent consultant to conduct an amortization study. The scope of this study included a review of Hydro's amortization methods as well as a statistical analysis of service life estimates and calculation of appropriate amortization rates and annual and accrued amortization balances as at December 31, 2009. Based on the results of this study, management currently estimates that switching from the use of sinking fund to straight-line amortization for hydroelectric and transmission assets, as well as changing from unit based amortization to a group based method on a remaining life basis and implementing the recommended service lives, would have resulted in an estimated decrease of $1.0 million in the annual amortization expense. In December 2011, Hydro applied to the PUB requesting approval of these recommended changes. Approval has not yet been received.

7. OTHER LONG-TERM ASSETS

(millions of dollars)		2011	2010
Long term receivables	(a)	1.6	26.0
Sinking funds	(b)	247.0	208.4
Reserve fund	(c)	45.4	39.3
		294.0	273.7

(a) Included in long-term receivables are two refundable deposits, one in the amount of $1.3 million (2010 - $1.2 million) associated with an application for transmission service into Nova Scotia, bearing interest at the Prime Rate less 1% and a second in the amount of $0.1 million (2010 - $0.1 million) associated with an application for transmission service in New Brunswick, bearing interest at the Prime Rate. During 2011, Hydro-Quebec refunded two deposits totalling $24.1 million associated with applications for transmission service through Quebec. The remaining balance of $0.2 million (2010 - $0.3 million) is the non-current portion of receivables associated with customer time payment plans and the long-term portion of employee purchase programs.

(b) Sinking fund investments consist of bonds, debentures, promissory notes and coupons issued by, or guaranteed by, the Government of Canada, provincial governments or Schedule 1 banks, and have maturity dates ranging from 2013 to 2033. Hydro debentures, which are intended to be held to maturity, are deducted from long-term debt while all other sinking fund investments are shown separately on the balance sheet as assets. Annual contributions to the various sinking funds are in accordance with bond indenture terms, and are structured to ensure the availability of adequate funds at the time of expected bond redemption. Effective yields range from 3.12% to 9.86% (2010 - 3.86% to 9.86%).

(c) Pursuant to the terms of the 1999 shareholders' agreement, in 2007, Churchill Falls commenced the creation of a $75.0 million segregated reserve fund to contribute towards the funding of capital expenditures related to Churchill Falls' existing facilities and their replacement [Note 20(j)]. A summary of Nalcor's 65.8% share of the reserve fund is as follows:

(millions of dollars)	2011	2010
Opening balance	39.3	34.8
Contribution	5.3	5.3
Net interest	0.1	(0.4)
Mark to market adjustment	0.7	(0.4)
Fair value of reserve fund	45.4	39.3

8. JOINT VENTURE

The following amounts included in the Consolidated Financial Statements represent Nalcor's proportionate share of Churchill Falls' assets and liabilities at December 31 and its proportionate interest in Churchill Falls' operations for the year then ended.

(millions of dollars)	2011	2010
Current assets	41.8	39.2
Long term assets	394.8	375.8
Current liabilities	19.0	15.6
Long term liabilities	16.2	14.0
Revenues	64.2	74.1
Expenses	43.1	50.8
Net income	21.1	23.3
Cash provided by (used in)		
Operating activities	32.3	48.3
Financing activities	0.9	(27.9)
Investing activities	(32.6)	(0.4)

Income tax expense in the amount of $0.2 million (2010 - $0.2 million) related to a jointly controlled subsidiary, Twin Falls, has been included in expenses.

9. LONG-TERM DEBT

(millions of dollars)	2011	2010
Long term debt	1,139.7	1,144.9
Less current portion	8.2	8.2
	1,131.5	1,136.7

NALCOR

In March 2011, Nalcor renegotiated the terms of its credit facility with its banker in order achieve alignment with its revised short-term working capital needs. The facility was converted to a demand operating facility with a limit of $100.0 million, with no change in the financial covenants. Borrowings in Canadian dollars may take the form of Prime Rate Advances, BAs and Letters of Credit. Borrowings in USD may take the form of Base Rate Advances, LIBOR Advances and Letters of Credit. The facility also provides coverage for overdrafts on Nalcor's bank accounts, with interest calculated at the Prime Rate. At year end, the only drawing on the facility was one irrevocable letter of credit issued to the Department of Fisheries and Oceans. This letter of credit, in the amount of $0.3 million [Note 20(g)], was issued in connection with the operation of hydroelectric assets on the Exploits River.

HYDRO

(millions of dollars)	Face Value	Coupon Rate %	Year of Issue	Year of Maturity	2011	2010
V *	125.0	10.50	1989	2014	**124.7**	124.6
X *	150.0	10.25	1992	2017	**149.4**	149.3
Y *	300.0	8.40	1996	2026	**293.5**	293.3
AB *	300.0	6.65	2001	2031	**306.5**	306.7
AD *	125.0	5.70	2003	2033	**123.6**	123.6
AE	225.0	4.30	2006	2016	**224.0**	223.8
Total debentures	1,225.0				**1,221.7**	1,221.3
Less: sinking fund investments in own debentures					**82.0**	76.4
					1,139.7	1,144.9
Less: payments due within one year					**8.2**	8.2
					1,131.5	1,136.7

* Sinking funds have been established for these issues.

Promissory notes, debentures and long-term loans are unsecured and unconditionally guaranteed as to principal and interest and, where applicable, sinking fund payments, by the Province. The Province charges Hydro a guarantee fee of 25 basis points annually on the total debt (net of sinking funds) with a remaining term to maturity less than ten years and 50 basis points annually on total debt (net of sinking funds) with a remaining term to maturity greater than 10 years. The fee was waived for 2010. The fee for 2011 was $3.9 million.

Hydro uses promissory notes to fulfill its short-term funding requirements. As at December 31, 2011 there were no promissory notes outstanding (2010 - nil).

Hydro maintains a $50.0 million Canadian or US equivalent unsecured demand operating credit facility with its banker and at year end there were no amounts drawn on the facility (2010 - nil). Advances may take the form of a Prime Rate Advance or the issuance of a BA with interest calculated at the Prime Rate or prevailing Government BA fee. The facility also provides coverage for overdrafts on Hydro's bank accounts, with interest calculated at the Prime Rate. At year end, Hydro had 24 letters of credit outstanding [Note 20(g)] reducing the availability of the credit facility by $18.9 million (2010 - $18.9 million).

Required repayments of long-term debt and sinking fund requirements over the next five years will be as follows:

(millions of dollars)	2012	2013	2014	2015	2016
Sinking fund requirement	8.2	8.2	8.2	8.2	8.2
Long term debt repayment			125.0		225.0
	8.2	8.2	133.2	8.2	233.2

CHURCHILL FALLS

Operating Credit Facility

Churchill Falls maintains a $10.0 million Canadian or US equivalent unsecured operating credit facility with its banker. Advances may take the form of a Prime Rate advance or the issuance of a Bankers' Acceptance (BA) with interest calculated at the Prime Rate or prevailing Government BA Fee. The facility provides coverage for overdrafts on Churchill Falls' bank accounts, with interest calculated at the Prime Rate.

Churchill Falls has issued three irrevocable letters of credit totalling $2.0 million to ensure satisfactory management of its waste management system and compliance with a certificate of approval for the transportation of special and hazardous wastes, granted by the Department of Environment and Conservation [Note 20(g)].

10. ASSET RETIREMENT OBLIGATIONS

(millions of dollars)	2011	2010
Asset retirement obligations, beginning of year	14.8	
Liabilities incurred	3.7	15.2
Accretion	0.7	0.1
Revisions	5.6	(0.5)
Asset retirement obligations, end of year	24.8	14.8

Nalcor has recognized liabilities associated with the retirement of portions of the HTGS disposal of polychlorinated biphenyls (PCB) and retirement obligations associated with Nalcor's net interest in petroleum and natural gas properties.

The total undiscounted estimated cash flows required to settle the HTGS obligations at December 31, 2011 are $27.0 million (2010 - $20.5 million). Payments to settle the liability are expected to occur between 2021 and 2024. The fair value of the asset retirement obligations was determined using the present value of future cash flows discounted at the Company's credit adjusted risk free rate of 2.9% (2010 - 4.1%).

The total undiscounted estimated cash flows required to settle the PCB obligations at December 31, 2011 are $3.6 million. Payments to settle the liability are expected to occur between 2012 and 2025. The fair value of the asset retirement obligations was determined using the present value of future cash flows discounted at the Company's credit adjusted risk free rates ranging between 3.1% and 5.6%.

Oil and Gas asset retirement obligations result from net ownership interests in petroleum and natural gas properties and related well sites. The total undiscounted estimated cash flows required to settle the obligations at December 31, 2011 is $8.9 million (2010 -$4.8 million). Payments to settle the liability are expected to occur between 2020 and 2030. The fair value of the asset retirement obligations was determined using the present value of future cash flows discounted at Nalcor's credit adjusted risk free rates ranging between 5.0% and 6.2% (2010 - 4.7%).

A significant number of Nalcor's assets include generation plants, transmission assets and distribution systems. These assets can continue to run indefinitely with ongoing maintenance activities. As it is expected that Nalcor's assets will be used for an indefinite period, no removal date can be determined and consequently, a reasonable estimate of the fair value of any related asset retirement obligation cannot be determined at this time. If it becomes possible to estimate the fair value of the cost of removing assets that Nalcor is legally required to remove, an asset retirement obligation for those assets will be recognized at that time.

11. LONG-TERM PAYABLES

The long-term payables consist of a payable to Hydro-Quebec and a payable to the Innu Nation.

The long-term payable to Hydro-Quebec as at December 31, 2011 represents the accumulation of differences between energy delivered monthly and the AEB energy billed monthly, which is being tracked during the four-year period from September 1, 2008 to August 31, 2012. Currently, $0.4 million of the amount is current and is recorded in Accounts payable and accrued liabilities while the remaining $4.8 million (2010 - $4.6 million) is long-term. The final amount will be determined on August 31, 2012 and will be paid or collected monthly beginning September 2012 and ending August 2016.

The long-term payable to the Innu Nation relates to the Upper Churchill Redress Agreement that was ratified in November 2011. Under this agreement, Nalcor is required to pay, to the Innu Nation, $2.0 million annually escalated by 2.5% until 2041. Currently, $2.0 million of the amount is current and is recorded in Accounts payable and accrued liabilities while the remaining $37.9 million is long-term. Nalcor has also recorded funding receivable from the Province in relation to the Upper Churchill Redress Agreement as outlined in Note 21(p).

12. EMPLOYEE FUTURE BENEFITS

PENSION PLAN

Employees participate in the Province's Public Service Pension Plan, a multi-employer defined benefit plan. The employer's contributions of $6.4 million (2010 - $5.8 million) are expensed as incurred.

OTHER BENEFITS

Nalcor provides group life insurance and healthcare benefits on a cost shared basis to retired employees, and in certain cases, their surviving spouses, in addition to a severance payment upon retirement. In 2011, cash payments to beneficiaries for its unfunded other employee future benefits was $2.6 million (2010 - $2.4 million). The most recent actuarial valuation was performed as at December 31, 2009 and extrapolated to December 31, 2011. The next actuarial valuation will be performed as at December 31, 2012.

(millions of dollars)	2011	2010
Accrued benefit obligation		
Balance at beginning of year	87.5	72.7
Current service cost	3.3	2.6
Interest cost	5.1	4.8
Actuarial loss	21.0	9.8
Benefits paid	(2.6)	(2.4)
Balance at end of year	114.3	87.5
Plan deficit	114.3	87.5
Unamortized actuarial loss	(46.5)	(27.0)
Unamortized past service cost	(0.2)	(0.2)
Accrued benefit liability at end of year	67.6	60.3

(millions of dollars)	2011	2010
Component of benefit cost		
Current service cost	3.3	2.6
Interest cost	5.1	4.8
Actuarial loss	21.0	9.8
	29.4	17.2
Difference between actuarial loss and amount recognized	(19.5)	(8.9)
Benefit expense	9.9	8.3

The significant actuarial assumptions used in measuring the accrued benefit obligations and benefit expense are as follows:

	2011	2010
Discount rate benefit cost	5.75%	6.50%
Discount rate accrued benefit obligation	4.55%	5.75%
Rate of compensation increase	3.50%	3.50%

Assumed healthcare trend rates:

	2011	2010
Initial health care expense trend rate	7.50%	7.50%
Cost trend decline to	5.00%	5.00%
Year that rate reaches the rate it is assumed to remain at	2016	2016

A 1% change in assumed health care trend rates would have had the following effects:

Increase	2011	2010
Current service and interest cost	1.7	1.3
Accrued benefit obligation	23.1	15.1
Decrease	2011	2010
Current service and interest cost	(1.3)	(1.0)
Accrued benefit obligation	(17.6)	(11.7)

13. SHAREHOLDER'S EQUITY

SHARE CAPITAL

(millions of dollars)	2011	2010
Common shares of par value $1 each		
Authorized: unlimited		
Issued and outstanding 122,500,000 (2010 122,500,000)	122.5	122.5

CONTRIBUTED CAPITAL

(millions of dollars)	2011	2010
Total contributed capital	390.5	374.1

On February 3, 2010, the Province established the Churchill Falls (Labrador) Corporation Trust (the Trust) with Churchill Falls as the beneficiary. The purpose of this trust is to fund the external costs and expenses incurred in relation to the motion filed by Churchill Falls seeking a modification to the pricing terms of the 1969 Power Contract. During 2011, the Province contributed capital in the amount of $16.0 million (2010 - $40.0 million) and the Trust contributed $0.4 million (2010 - $0.6 million).

14. ACCUMULATED OTHER COMPREHENSIVE INCOME

(millions of dollars)	2011	2010
Balance, beginning of year	27.3	22.0
Change in fair value of available for sale financial instruments	31.6	20.6
Change in fair value of derivatives designated as cash flow hedges	0.1	1.1
Amount recognized in net income	(1 6)	(16 4)
Balance, end of year	46.4	27.3

15. CAPITAL MANAGEMENT

Nalcor's primary objectives when managing capital are to minimize its cost of capital within the confines of established risk parameters, and to safeguard Nalcor's ability to continue as a going concern. Nalcor's approach to capital management is performed on a consolidated basis. Management monitors the capital requirement for each subsidiary individually.

The capital managed by Nalcor is comprised of debt (long-term debentures, promissory notes, bank credit facilities and bank indebtedness) and equity (share capital, contributed capital, accumulated other comprehensive income and retained earnings).

A summary of the capital structure is outlined below:

(millions of dollars)	2011		2010	
Debt				
Long term debt	1,131.5		1,136.7	
Current portion of long term debt	8.2		8.2	
Sinking funds	(247.0)		(208.4)	
	892.7	38.5%	936.5	42.5%
Equity				
Share capital	122.5		122.5	
Contributed capital	390.5		374.1	
Accumulated other comprehensive income	46.4		27.3	
Retained earnings	868.2		741.5	
	1,427.6	61.5%	1,265.4	57.5%
Total debt and equity	2,320.3	100.0%	2,201.9	100.0%

Nalcor's unsecured demand operating facility has covenants restricting the issuance of debt such that the unconsolidated debt to total capitalization ratio cannot exceed 70%. The covenants further stipulate that the Debt Service Coverage Ratio should at all times be greater than 1.5 to 1.0 on an unconsolidated basis. As at December 31, 2011, Nalcor was in compliance with these covenants.

HYDRO

Hydro's principal business requires ongoing access to capital in order to maintain the continued delivery of safe and reliable service to its customers. Therefore, Hydro's primary objective when managing capital is to ensure ready access to capital at a reasonable cost.

Hydro's approach to capital management encompasses various factors including monitoring the percentage of floating rate debt in the total debt portfolio, the weighted average term to maturity of its overall debt portfolio, its percentage of debt to debt plus equity and its earnings before interest and taxes (EBIT) coverage of interest.

For the regulated portion of Hydro's operations a capital structure comprised of 75% debt and 25% common equity is maintained, a ratio which management believes to be optimal with respect to its cost of capital. This capital structure is maintained by a combination of dividend policy, contributed equity and debt issuance. The issuance of any new debt with a term greater than one year requires prior approval of the PUB.

Legislation stipulates that the total of the short-term loans issued by Hydro and outstanding at any time, shall not exceed a limit as fixed by the Lieutenant-Governor in Council. Short-term loans are those loans issued with a term not exceeding two years. The current limit is set at $300 million. There was no balance outstanding as at December 31, 2011 or 2010. Issuance of long-term and short-term debt by Hydro is further restricted by Bill C-24, an amendment to the Newfoundland and Labrador Hydro Act of 1975. The Bill effectively limits Hydro's total borrowings, which includes both long and short-term debt, to $1.6 billion at any point in time.

CHURCHILL FALLS

Churchill Falls' objective when managing capital is to maintain its ability to continue as a going concern. Churchill Falls' requirements for capital in the future are expected to increase, coincident with the aging of the plant and related infrastructure and the execution of the long-term asset management plan. The focus of the capital management policy is to provide flexibility to ensure cash continues to be available to satisfy capital requirements. Managing the level of dividend payments is a key aspect of ensuring the availability of funding to maintain the plant and infrastructure.

At present, the capital position of Churchill Falls is comprised entirely of equity capital (share capital, contributed capital and retained earnings). The capital structure is adjusted through the amount of dividends paid to shareholders.

OIL AND GAS

The capital managed by Oil and Gas is composed of share capital, contributed capital and retained earnings. Oil and Gas' objective, when managing capital, is to maintain its ability to continue as a going concern. Oil and Gas' future requirements for capital are expected to increase, coincident with the increase in development projects. This increased demand for capital is expected to be temporary and will abate as projects under development move into the production stage. Due to the temporary nature of the capital requirement, these requirements will be funded entirely through contributed capital as well as internal cash flows. A balanced approach to dividends will ensure maximum return to the shareholder while ensuring liquidity levels adequate to address normal business risk.

Future requirements for capital are expected to increase to fund Oil and Gas' share of project development costs. Capital costs to date have been financed by equity. As projects reach the production stage, Cash flow generated from operations contributes toward funding its capital requirements by reducing the reliance on Nalcor to finance growth.

BULL ARM FABRICATION

Bull Arm Fabrication's objective when managing capital is to maintain its ability to continue as a going concern. The focus of the capital management policy is to ensure the availability of sufficient cash to satisfy capital requirements.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

FAIR VALUE

The estimated fair values of financial instruments as at December 31, 2011 are based on relevant market prices and information available at the time. Fair value estimates are based on valuation techniques which are significantly affected by the assumptions used including the amount and timing of future cash flows and discount rates reflecting various degrees of risk. As such, the fair value estimates below are not necessarily indicative of the amounts that Nalcor might receive or incur in actual market transactions.

As a significant number of Nalcor's assets and liabilities do not meet the definition of a financial instrument, the fair value estimates below do not reflect the fair value of Nalcor as a whole.

	Carrying Value	Fair Value	Carrying Value	Fair Value
(millions of dollars)	2011		2010	
Financial assets				
Cash and cash equivalents	18.7	18.7	44.5	44.5
Short term investments	16.9	16.9	15.7	15.7
Accounts receivable	163.6	163.6	93.6	93.6
Derivative assets	0.2	0.2	2.0	2.0
Sinking funds investments in same Hydro issue	82.0	103.7	76.4	93.6
Sinking funds other investments	247.0	247.0	208.4	208.4
Reserve fund	45.4	45.4	39.3	39.3
Long term receivable(1)	1.6	n/a	26.0	n/a
Financial liabilities				
Accounts payable and accrued liabilities	156.1	156.1	152.1	152.1
Derivative liabilities	0.2	0.2	0.3	0.3
Long term debt including amount due within one year (before sinking funds)	1,221.7	1,695.3	1,221.3	1,589.7
Long term payables	42.7	43.2	4.6	4.7

The fair value of cash and cash equivalents, short-term investments, accounts receivable and accounts payable and accrued liabilities approximates their carrying values due to their short-term maturity.

(1) The fair value of the long-term receivable subject to uncertainty regarding the timing of future cash flows and as such, the fair value of the long-term receivable could not be determined as at December 31, 2011 and 2010.

Establishing Fair Value

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the nature of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The following table presents Nalcor's fair value hierarchy for financial assets and liabilities as at December 31. There were no transfers between Level 1 and Level 2 during the year:

	Level 1	Level 2	Total
(millions of dollars)		2011	
Financial assets			
Cash and cash equivalents	18.7		18.7
Short term investments	16.9		16.9
Accounts receivable	163.6		163.6
Derivative assets		0.2	0.2
Sinking funds investments in same Hydro issue		103.7	103.7
Sinking funds other investments		247.0	247.0
Reserve fund		45.4	45.4
Financial liabilities			
Accounts payable and accrued liabilities	156.1		156.1
Derivative liabilities		0.2	0.2
Long term debt including amount due within one year (before sinking funds)		1,695.3	1,695.3
Long term payables		43.2	43.2
		2010	
Financial assets			
Cash and cash equivalents	44.5		44.5
Short term investments	15.7		15.7
Accounts receivable	93.6		93.6
Derivative assets		2.0	2.0
Sinking funds investments in same Hydro issue		93.6	93.6
Sinking funds other investments		208.4	208.4
Reserve fund		39.3	39.3
Financial liabilities			
Accounts payable and accrued liabilities	152.1		152.1
Derivative liabilities		0.3	0.3
Long term debt including amount due within one year (before sinking funds)		1,589.7	1,589.7
Long term payables		4.7	4.7

There were no financial assets or liabilities valued using Level 3 of the fair value hierarchy as at December 31, 2011 and 2010.

RISK MANAGEMENT

Exposure to credit risk, liquidity risk and market risk arises in the normal course of Nalcor's business.

Credit Risk

Nalcor is exposed to credit risk in the event of non performance by counterparties to its financial instruments. The majority of the receivables are from regulated utilities which minimizes credit risk. There is risk that Nalcor will not be able to collect all of its remaining accounts receivable and amounts owing under its customer finance plans. These financial instruments arise in the normal course of business and do not represent a significant concentration of credit risk as amounts are owed by a large number of customers on normal credit terms. Nalcor manages this credit risk primarily by executing its credit and collection policy including the requirement for security deposits from certain customers. As at December 31, 2011 security deposits of $0.7 million (2010 - $0.1 million) are included in accounts payable and accrued liabilities.

Nalcor's three largest customers account for 72.3% (2010 - 78.3%) of total energy sales and 63.4% (2010 - 59.6%) of accounts receivable. These customers are comprised of rate regulated entities or organizations with investment grade credit ratings.

Nalcor does not have any significant amounts that are past due and uncollectable for which a provision has not been recognized at December 31, 2011.

Nalcor manages its investment credit risk exposure by restricting its investments to high-quality securities such as Canada Treasury Bills, provincial Treasury Bills, Bankers' Acceptances drawn on Schedule 1 Canadian Chartered Banks and Term Deposits issued by Schedule 1 Canadian Chartered Banks. Additionally, the investments held within the portfolios of Churchill Falls do not exceed 10% with any one institution with the exception of the Government of Canada.

Liquidity Risk

Nalcor is exposed to liquidity risk with respect to its contractual obligations and financial liabilities. This risk is managed by maintaining borrowing facilities sufficient to cover both anticipated and unexpected fluctuations within the operations and by continuously monitoring cash flows.

Short-term liquidity is provided through cash and cash equivalents on hand, funds from operations, a $300.0 million promissory note program and credit facilities.

Long-term liquidity risk is managed by the issuance of a portfolio of debentures with maturity dates ranging from 2014 to 2033. Sinking funds have been established for these issues, with the exception of Series AE.

The following are the contractual maturities of Nalcor's financial liabilities, including principal and interest, as at December 31, 2011:

(millions of dollars)	<1 Year	1 3 Years	3 5 Years	>5 Years	Total
Accounts payable and accrued liabilities	156.1				156.1
Derivative liabilities	0.2				0.2
Long term debt including amount due within one year		125.0	225.0	875.0	1,225.0
Long term payables		6.9	6.7	78.3	91.9
Interest	61.9	174.2	152.7	649.2	1,038.0
	218.2	306.1	384.4	1,602.5	2,511.2

Market Risk

Market risk refers primarily to the risk of loss resulting from changes in interest rates, commodity prices and foreign exchange rates. Nalcor has a formal financial risk management policy that outlines the risks associated with the operations of Nalcor and its subsidiaries and guidelines to be followed in the management of those risks. This policy is reviewed by Nalcor's Board of Directors annually or more frequently if there is a material change to Nalcor's financial risks. The Audit Committee of the Board provides oversight on behalf of the Board with the exception of any items that specifically require Board approval.

Interest Rates

Interest rate risk is managed within the corporate financing strategy whereby floating rate debt exposures and interest rate scenarios are forecast and evaluated. A diversified portfolio of fixed and floating rate debt is maintained and managed with a view to an acceptable risk profile. Key quantitative parameters for interest rate risk management includes the percentage of floating rate debt in the total debt portfolio, coupled with an examination of the weighted average term to maturity of the entire debt portfolio. By setting clear guidelines in respect to these quantitative parameters, Nalcor attempts to minimize the likelihood of a material impact on net income resulting from an unexpected change in interest rates.

Nalcor is exposed to interest rate risk related to the short-term debt portfolio, the sinking fund investment portfolios and reserve fund investment portfolios. Interest rate risk on the long-term debt portfolio is mitigated through the use of fixed rate debentures.

The following table illustrates Nalcor's exposure to a 50 basis points (0.5%) change in interest rates:

	Net Income		Other Comprehensive Income	
(millions of dollars)	0.5% decrease	0.5% increase	0.5% decrease	0.5% increase
Interest on short term investments	(0.1)	0.1		
Interest on sinking fund			20.0	(2.7)
Interest on reserve fund			1.0	(1.0)
	(0.1)	0.1	21.0	(3.7)

Foreign Currency and Commodity Exposure

The fair value of future cash flows of a financial instrument will fluctuate due to changes in the exchange rate between the foreign currency and the Canadian dollar. Nalcor's primary exposure to both foreign exchange and commodity price risk arises from its purchases of No. 6 fuel for consumption at the HTGS, certain electricity sales and oil sales which are denominated in USD.

During 2011, Hydro had total purchases of No. 6 fuel of $135.1 million (2010 - $104.1 million) denominated in USD. Exposure to both the foreign exchange and commodity price risk associated with these fuel purchases is mitigated through the operation of the RSP. The purpose of the RSP is to both reduce volatility in customer rates as well as mitigate potential net income volatility from fuel price and volume variations. All variances in fuel prices including exchange rates, as compared to that approved in Hydro's most recent cost of service study, are captured in the RSP and are either refunded to, or collected from, customers through rate adjustments. Hydro also employs the periodic use of forward currency contracts to manage exposure to exchange rates on a particular day.

During 2011, total electricity sales denominated in USD were $67.9 million (2010 - $72.8 million). In 2011 Hydro mitigated this risk through the use of commodity swaps and foreign currency forward contracts.

During 2011, total oil energy sales denominated in USD were $90.4 million (2010 - $15.2 million). Oil and Gas has sales denominated in USD that are based on prevailing market oil prices. Market risk associated with fluctuations in oil prices and foreign exchange rates is managed consistent with Nalcor's financial risk management policy. Oil and Gas has exposure to fluctuations in the USD/CAD exchange rate based on its sales, which are denominated in USD. However, a significant portion of Oil and Gas' planned capital expenditures are denominated in USD, which mitigates this exposure. Oil and gas also mitigates its commodity risk exposure through the use of commodity swaps.

During 2009, Hydro entered into a series of 24 monthly foreign exchange forward contracts with a notional value of $87.9 million USD to hedge foreign exchange risk on 75% of Hydro's USD electricity sales. These contracts had an average exchange rate of $1.17 CAD per USD. These contracts were designated as part of a hedging relationship. The last of these contracts expired in April 2011.

During 2011, Hydro entered into a series of nine monthly foreign exchange forward contracts with a notional value of $35.7 million USD to hedge foreign exchange risk on 75% of Hydro's USD electricity sales. These contracts had an average exchange rate of $1.00 CAD per USD.

In 2011, Hydro also entered into 20 commodity swap contracts with a notional value of $27.8 million USD to hedge commodity price risk on electricity sales. These contracts swapped floating market rates for fixed rates, with Hydro receiving an average fixed rate of $35.37 USD/MWh (2010 - $36.01 USD/MWh). During 2011, $1.9 million in losses from these contracts were included in Other income and expense (2010 - $3.4 million).

In February 2011, Oil and Gas entered into 11 commodity swap contracts with a notional value of $17.4 million USD to hedge a portion of its commodity price risk on sales. In exchange for paying the market rate over the term of the contract, Oil and Gas received an average fixed price of $100.53 USD/BBL. These contracts have not been designated as part of a hedging relationship. During 2011, $2.0 million in losses from these contracts were included in Other income and expense.

EFFECT OF HEDGE ACCOUNTING ON FINANCIAL STATEMENTS

	Net Gains Included in Net Income	Unrealized Gains Included in OCI	Net Gains Included in Net Income	Unrealized Gains Included in OCI
(millions of dollars)	2011		2010	
Ineffective portion	(0.1)		0.2	
Effective portion	1.5		5.9	1.3

The ineffective portion of hedging gains and losses is included in net income through Other income and expense.

17. INTEREST AND FINANCE INCOME/CHARGES

(millions of dollars)	2011	2010
Interest and finance income		
Interest on sinking fund	16.6	15.2
Interest on reserve fund	1.5	1.4
Other interest income	2.1	1.4
	20.2	18.0
Interest and finance charges		
Long term debt	90.5	91.7
Interest on rate stabilization plan	12.2	10.2
Accretion of long term debt	0.5	0.4
Amortization of deferred foreign exchange losses	2.1	2.1
Debt guarantee fee	3.9	
Other	0.7	1.9
	109.9	106.3
Interest capitalized during construction	(1.5)	(1.2)
	108.4	105.1

18. SUPPLEMENTARY CASH FLOW INFORMATION

(millions of dollars)	2011	2010
Accounts receivable	(70.0)	(4.7)
Inventory	(0.5)	(3.5)
Prepaid expenses	(0.1)	(1.4)
Regulatory assets	3.3	4.4
Regulatory liabilities	11.1	37.2
Accounts payable and accrued liabilities	4.0	26.9
Employee future benefits	7.3	5.9
Changes in non cash working capital balances	(44.9)	64.8
Income taxes paid	0.2	0.2
Interest received	2.5	2.2
Interest paid	90.9	92.4

19. SEGMENT INFORMATION

Nalcor operates in five business segments. Hydro Regulated encompasses sales of electricity to customers within the Province. Churchill Falls operates a hydroelectric generating facility and sells electricity primarily to Hydro-Quebec. Oil and Gas activities include exploration, development, production, transportation and processing sectors of the oil and gas industry. Energy Marketing activities include the sale of electricity to markets outside the province. Other encompasses industrial fabrication, some non-regulated electricity sales, development activities including the lower Churchill hydroelectric development and corporate activities. The designation of segments has been based on a combination of regulatory status and management accountability. The segments' accounting policies are the same as those described in Note 2.

(millions of dollars)	Hydro Regulated	Churchill Falls	Oil and Gas	Energy Marketing	Other	Inter Segment	Total
				2011			
Revenue							
Energy sales	469.2	66.2	88.5	69.7	5.9	(3.9)	695.6
Interest and finance income	17.6	1.7	0.1	0.6	0.7	(0.5)	20.2
Other revenue	2.3	0.3	3.5		4.7	3.3	14.1
	489.1	68.2	92.1	70.3	11.3	(1.1)	729.9
Expenses							
Fuels	156.7						156.7
Power purchased	52.2			4.6		(3.9)	52.9
Operations and administration	104.2	41.8	21.4	20.6	11.9		199.9
Interest and finance charges	108.4	0.3			0.2	(0.5)	108.4
Amortization	45.7	12.2	29.6		0.2		87.7
Other income and expense	0.9	(7.2)	2.0	1.8	0.1		(2.4)
	468.1	47.1	53.0	27.0	12.4	(4.4)	603.2
Net income (loss) from operations	21.0	21.1	39.1	43.3	(1.1)	3.3	126.7
Preferred dividends		3.3				(3.3)	
Net income (loss)	21.0	24.4	39.1	43.3	(1.1)		126.7
Capital expenditures	63.1	25.6	63.3		102.6		254.6
Total assets	1,866.6	436.6	329.5	3.9	454.4	(50.1)	3,040.9

(millions of dollars)	Hydro Regulated	Churchill Falls	Oil and Gas	Energy Marketing	Other	Inter Segment	Total
				2010			
Revenue							
Energy sales	417.1	76.0	15.3	77.5	6.8	(3.9)	588.8
Interest and finance income	16.1	1.7			0.5	(0.3)	18.0
Other revenue	2.3	0.3	3.9		3.3	3.5	13.3
	435.5	78.0	19.2	77.5	10.6	(0.7)	620.1
Expenses							
Fuels	140.3				0.1		140.4
Power purchased	44.2			4.1		(3.9)	44.4
Operations and administration	97.1	40.5	10.7	21.4	12.2		181.9
Interest and finance charges	102.9	1.6	0.1	0.5	0.3	(0.3)	105.1
Amortization	43.8	12.6	10.9		0.2		67.5
Other income and expense	0.7			2.6			3.3
	429.0	54.7	21.7	28.6	12.8	(4.2)	542.6
Net income (loss) from operations	6.5	23.3	(2.5)	48.9	(2.2)	3.5	77.5
Preferred dividends		3.5				(3.5)	
Net income (loss)	6.5	26.8	(2.5)	48.9	(2.2)		77.5
Capital expenditures	55.5	9.9	82.8		48.1		196.3
Total assets	1,831.5	417.0	278.3	7.4	324.7	(54.1)	2,804.8

GEOGRAPHIC INFORMATION

Revenues by geographic area:

(millions of dollars)	2011	2010
Newfoundland and Labrador	599.6	476.4
Quebec	62.1	71.9
New Brunswick	56.7	60.7
Nova Scotia	11.5	11.1
	729.9	620.1

All of Nalcor's physical assets are located in the province.

20. COMMITMENTS AND CONTINGENCIES

(a) Under the terms of a sublease with Twin Falls, expiring on December 31, 2014, Churchill Falls is required to deliver to Twin Falls, at an agreed price, horsepower equivalent to the installed horsepower of the Twin Falls plant and to maintain Twin Falls' plant and equipment. The costs associated with making the plant operational, if required, are not estimable at this time. Beginning in 2015, Churchill Falls is required to make this horsepower available to Hydro at rates that are commercially reasonable pursuant to the 1999 shareholders' agreement.

(b) The results of an Environmental Site Assessment (ESA) conducted at the Twin Falls Generating Station indicated higher than acceptable concentrations of contaminants in the soil and waters adjacent to the powerhouse. Further testing was conducted to determine the extent of contamination. The recommendations arising from this testing indicate that remediation is not required, but that further monitoring be carried out. Monitoring was performed throughout 2010 with no remediation required. However, the 2010 sampling did indicate some increase in PCB concentrations in sediment and fish flesh in specific locations, and an increased frequency of monitoring was recommended. Further sampling has now been scheduled for 2013.

(c) Hydro entered into power sales agreements with third parties. To facilitate market access, Hydro has entered into a five-year transmission service agreement with Hydro-Quebec TransEnergie to acquire access to 265 MW of transmission capacity from Labrador through Quebec. Hydro has the right to renew its transmission service contract at the end of the contract term. If at that time there is a competing request for the same path, in order to renew the service agreement, Hydro must agree to accept a contract term that is at least equal to that competing request.

Pursuant to Hydro's five-year transmission service agreement with Hydro-Quebec TransEnergie, the transmission rental payments to contract maturity are as follows:

2012	$19.0 million
2013	$19.0 million
2014	$4.8 million

(d) Nalcor and its subsidiaries have received claims instituted by various companies and individuals with respect to outages and other miscellaneous matters. Although such matters cannot be predicted with certainty, management currently considers Nalcor's exposure to such claims and litigation, to the extent not covered by insurance policies or otherwise provided for, to be $0.4 million (2010 - $0.1 million).

One of Hydro's industrial customers commenced legal proceedings in 1997, claiming approximately $21.9 million (2010 - $21.8 million) related to outages and plant shutdowns. Hydro is defending this claim. While the ultimate outcome of this action is not determinable at this time, in the opinion of Hydro's management, following consultation with its legal counsel, no liability should be recognized.

(e) Outstanding commitments for capital projects total approximately $54.0 million (2010 - $41.6 million). In addition, Oil and Gas has committed to fund its share of all exploration and development projects.

(f) Hydro has entered into a number of long-term power purchase agreements as follows:

Type	Rating	In Service Date	Term
Hydroelectric	175 kW	1988	Continual
Hydroelectric	3 MW	1995	25 years
Hydroelectric	4 MW	1998	25 years
Cogeneration	15 MW	2003	20 years
Wind	390 kW	2004	15 years
Wind	27 MW	2008	20 years
Wind	27 MW	2009	20 years

Estimated payments due in each of the next five years are as follows:

(millions of dollars)	2012	2013	2014	2015	2016
Power purchases	24.8	25.5	26.1	26.8	27.3

(g) Nalcor has issued an irrevocable letter of credit, in the amount of $0.3 million, to the Department of Fisheries and Oceans. This letter of credit was issued connection with the operation of the hydroelectric assets on the Exploits River.

Hydro has issued 23 irrevocable letters of credit to the New Brunswick System Operator totaling $18.6 million as credit support related to applications for point to point transmission services. In addition Hydro has issued one letter of credit to the Department of Fisheries and Oceans in the amount of $0.3 million as a performance guarantee in relation to the Fish Habitat Compensation Agreement.

Churchill Falls has issued three irrevocable letters of credit, totaling $2.0 million, to ensure satisfactory management of its waste management and compliance with a certificate of approval for the transportation of special hazardous wastes granted by the Department of Environment and Conservation.

Oil and Gas has issued two irrevocable letters of credit, totaling $4.7 million, to ensure compliance with regulations relating to petroleum and natural gas exploration and production activities.

(h) Hydro has received funding, in the amount of $3.0 million, from the Atlantic Canada Opportunities Agency in relation to a Wind-Hydrogen-Diesel research and development project. This funding is repayable in annual installments of $25,000 per commercial implementation of the resulting product. As at December 31, 2011 there have been no commercial implementations.

(i) On February 23, 2010, Churchill Falls filed a motion against Hydro-Quebec in the Quebec Superior Court. The motion is seeking a modification to the pricing terms of the 1969 Power Contract as of November 30, 2009. The trial is scheduled for the fall of 2013. The outcome of this motion is not determinable at this time.

(j) Pursuant to the terms of the 1999 shareholders' agreement, in 2007, Churchill Falls commenced the creation of a $75.0 million segregated reserve fund to contribute towards the funding of capital expenditures related to Churchill Falls' existing facilities and their replacement. Churchill Falls invested $17.0 million in each of 2007, 2008 and 2009, and $8.0 million in 2010 and 2011. The remaining investments were acquired in January 2012.

This fund must remain in place until the end of the shareholders' agreement in 2041. Any amounts removed to fund capital expenditures must be replaced. Reserve fund holdings consist of securities issued by the Government of Canada, various provinces of Canada and Schedule 1 Canadian Chartered Banks. Nalcor's share of this commitment is 65.8%.

21. RELATED PARTY TRANSACTIONS

Nalcor enters into various transactions with its parents, subsidiaries and other affiliates. These transactions occur within the normal course of operations and are measured at the exchange amount, which is the amount of consideration agreed to by the related parties. Related parties with which Nalcor transacts are as follows:

Related Party	Relationship
The Province	100% shareholder of Nalcor Energy.
Churchill Falls	Jointly controlled subsidiary of Hydro.
Twin Falls	Jointly controlled subsidiary of Churchill Falls.
The Trust	Created by the Province with Churchill Falls as the beneficiary.
Board of Commissioners of Public Utilities (PUB)	Agency of the Province.

Intercompany transactions and balances have been eliminated upon consolidation. The amounts included in the financial statements for related party transactions are as follows:

		The Province	Other Affiliates	Total
(millions of dollars)			2011	
Revenue	(e)(f)(g)(h)(o)(q)	4.2		4.2
Expenses	(b)(c)(d)(i)(j)(k)(l)(n)(p)	(18.0)	1.9	(16.1)
Accounts receivable	(c)(e)(o)(p)	40.5	0.6	41.1
Accounts payable and accrued liabilities	(b)(d)(i)(j)(k)(l)(n)	19.4	0.6	20.0
Deferred credits	(f)(g)(h)(m)	10.4		10.4
(millions of dollars)			2010	
Revenue	(e)(f)(g)(h)(o)(q)	7.1		7.1
Expenses	(b)(c)(d)(i)(j)(k)(l)(n)	16.3	1.3	17.6
Accounts receivable	(c)(e)(o)	0.9	1.8	2.7
Accounts payable and accrued liabilities	(b)(d)(i)(j)(k)(l)(n)	10.5	0.1	10.6
Deferred credits	(f)(g)(h)(m)	2.5		2.5

(a) On January 19, 2011, the PUB issued Board Order No. P.U. 1 (2011) approving a modification to the RSP rules to reduce the balance owing to industrial customers by $10.0 million. The order also approved Hydro's reimbursement of the amount to the Province. The payment was made to the Province on January 27, 2011.

(b) Hydro has entered into a long-term power contract with Churchill Falls for the purchase of $6.0 million (2010 - $6.0 million) of the power produced by Churchill Falls.

(c) For the year ended December 31, 2011, approximately $4.1 million (2010 - $3.7 million) of operating costs were recovered from Churchill Falls for engineering, technical, management and administrative services. At December 31, 2011, $0.5 million (2010 - $1.7 million) was receivable from Churchill Falls.

(d) Hydro is required to contribute to the cost of operations of the PUB as well as pay for the cost of hearings into applications it makes. During 2011, Hydro incurred $1.2 million in costs related to the PUB (2010 - $0.6 million) of which $0.6 million (2010 - $0.1 million) was included in Accounts payable and accrued liabilities.

(e) During 2011, Hydro received $0.4 million (2010 - $0.4 million) as a rate subsidy for rural isolated customers from the Province and $1.7 million (2010 - $1.6 million) as an energy rebate to offset the cost of basic electricity consumption for Labrador rural isolated residential customers under the Northern Strategic Plan with $0.3 million (2010 - $0.3 million) recorded as Accounts receivable at year end.

(f) During 2010, Bull Arm Fabrication received $1.0 million from the Province. As at December 31, 2010, $0.3 million was included in Deferred credits. No amount remains in Deferred credits at December 31, 2011.

(g) The Petroleum Exploration Enhancement Program (PEEP) was established as part of the Newfoundland and Labrador Energy Plan. PEEP is designed to boost new petroleum exploration in Western Newfoundland through the acquisition and assessment of seismic data. Funding for PEEP is provided by the Province and the program is administered by Oil and Gas. Total funding available under PEEP is $5.0 million over five years. As at December 31, 2011, $4.5 million of funds have been received (2010 - $1.0 million) and $2.5 million is included in Deferred credits (2010 - $0.6 million receivable).

(h) The Offshore Geoscience Data Project (OGDP) was established as part of the Newfoundland and Labrador Energy Plan. OGDP is designed to boost new offshore petroleum exploration in Newfoundland through the acquisition and assessment of seismic data. Funding for OGDP is provided by the Province and the program is administered by Oil and Gas. Total funding available under OGDP is $20.0 million over two years. As at December 31, 2011, $10.5 million has been received from the Province (2010 - $5.0 million) of which $4.4 million has been recorded in Deferred credits (2010 - $2.1 million).

(i) On February 3, 2010, the Province established the Trust with Churchill Falls as the beneficiary. The purpose of this trust is to fund the external costs and expenses in relation to the motion filed by Churchill Falls seeking a modification to the pricing terms of the 1969 Power Contract. To date, $1.4 million (2010 -$0.8 million) has been received and $0.2 million (2010 - $0.2 million) has been accrued as due from the Trust.

(j) Prior to January 1, 2009, the Provincial Minister of Finance was authorized to invest any surplus from Bull Arm Fabrication's operations. Each year, the surplus or deficit from operations was credited or charged to the distribution payable to the Province, however, there are no set terms of payment. The balance contains the accumulated results of operations of Bull Arm Fabrication since inception up to January 1, 2009, less any distributions paid to the Province. Effective January 1, 2009, earnings are to be retained and are reported as retained earnings. As at December 31, 2011, $0.8 million (2010 - $0.8 million) of distributions payable to the Province are included in Accounts payable and accrued liabilities. Bull Arm Fabrication also has a payable to the Province of $0.3 million (2010 - $0.3 million) related to costs incurred prior to the transfer of Bull Arm Fabrication to Nalcor.

(k) Nalcor, as the operator of the Exploits assets, has a net payable to the Province of $9.9 million (2010 - $5.7 million) which is included in Accounts payable and accrued liabilities. Nalcor operates these assets on behalf of the Province on a cost recovery basis.

(l) Under the terms and conditions of the Churchill Falls (Labrador) Corporation (Lease) Act, 1961, Churchill Falls must pay rentals and royalties to the Province annually. As at December 31, 2011, $5.3 million (2010 - $5.6 million) was payable.

(m) Hydro received contributions in aid of construction from the Province related to wind feasibility studies. As at December 31, 2011, $3.5 million (2010 - $0.1 million) has been recorded in Deferred credits.

(n) During 2011, Hydro incurred a debt guarantee fee from the Province of \$3.9 million (2010 - nil). This amount remains payable at December 31, 2011.

(o) Hydro has a receivable owing from the Department of Natural Resources of \$0.3 million (2010 - nil) related to a Coastal Labrador Efficiency Project established as part of energy conservation activities.

(p) In relation to Nalcor's financial obligations with respect to the Upper Churchill Redress Agreement (Note 11), the Province has agreed to provide funding in the amount of \$39.9 million which is recognized in Accounts receivable. As this funding will be used to offset payments to the Innu Nation, the \$39.9 million has been netted against the expenses related to Nalcor's obligation under the Upper Churchill Redress Agreement.

(q) Oil and Gas pays royalties on production from its petroleum and natural gas properties to the Province. During 2011, Oil and Gas recognized royalty expense of \$1.6 million (2010 - \$0.1 million). As at December 31, 2011, \$1.0 million (2010 - nil) was included in Accounts payable and accrued liabilities.

22. COMPARATIVE FIGURES

The comparative figures have been reclassified to conform with the 2011 financial statement presentation including Accounts receivable, Long-term receivables, Operating costs and Other income and expense.

NEWFOUNDLAND AND LABRADOR ARTS COUNCIL

FINANCIAL STATEMENTS

31 MARCH 2011

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

To the Members
Newfoundland and Labrador Arts Council
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Newfoundland and Labrador Arts Council which comprise the balance sheet as at 31 March 2011, the statement of revenues, expenses and deficit and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Auditor's Report (cont.)

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Newfoundland and Labrador Arts Council as at 31 March 2011, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

WAYNE R. LOVEYS, CMA
Auditor General (A)

18 April 2012
St. John's, Newfoundland and Labrador

NEWFOUNDLAND AND LABRADOR ARTS COUNCIL
BALANCE SHEET

31 March	2011	2010
ASSETS		
Current		
Cash	$ 207,456	$ 76,402
Short term investments, at cost	105,958	155,900
Accounts receivable (Note 2)	29,219	40,610
Prepaid expenses	2,485	2,612
	345,118	275,524
Trust Account asset - CAPE Fund (Note 3)	790	790
Capital assets (Note 4)	4,264	7,921
Arts Fund assets (Note 5)	168,416	166,135
	$ 518,588	$ 450,370
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities	$ 190,171	$ 123,660
Deferred revenue (Note 6)	110,530	97,405
Obligation under capital lease (Note 7)	3,657	3,657
	304,358	224,722
Obligation under capital lease (Note 7)	607	4,264
Accrued severance pay	49,567	46,077
Trust Account liability - CAPE Fund (Note 3)	790	790
	355,322	275,853
Equity		
Surplus (Deficit) from operations	(5,150)	8,382
Arts Fund (Note 5)	168,416	166,135
	163,266	174,517
	$ 518,588	$ 450,370

See accompanying notes

Signed on behalf of the Council:

Chairperson

Reginald Winsor

Member

NEWFOUNDLAND AND LABRADOR ARTS COUNCIL
STATEMENT OF REVENUES, EXPENSES AND DEFICIT
For the Year Ended 31 March

	2011		2010
	Actual	**Budget**	**Actual**
REVENUES			
Province of Newfoundland and Labrador grants	**$ 2,026,676**	**$ 2,137,205**	$ 2,070,555
Projects (Note 8)	**336,000**	**339,000**	351,500
Interest	**807**	**2,000**	1,469
	2,363,483	**2,478,205**	2,423,524
EXPENSES			
Grants awarded			
Community Arts	**75,000**	**75,000**	75,000
Labrador Initiative	**86,876**	**197,405**	133,392
Professional Artists Travel Fund grants	**31,020**	**30,000**	31,060
Professional Festivals	**89,195**	**125,000**	83,000
Professional Project Grants Program	**526,455**	**500,000**	552,760
Sustaining Program for Professional Arts Organizations	**500,000**	**500,000**	500,000
	1,308,546	**1,427,405**	1,375,212
Projects (Note 9)	**421,037**	**389,000**	425,574
Operating expenses (Note 10)	**647,432**	**670,182**	629,849
	2,377,015	**2,486,587**	2,430,635
Excess of expenses over revenues	**(13,532)**	**(8,382)**	(7,111)
Surplus from operations, beginning of year	**8,382**	**8,382**	15,493
Surplus (Deficit) from operations, end of year	**$ (5,150)**	**$ -**	$ 8,382

See accompanying notes

NEWFOUNDLAND AND LABRADOR ARTS COUNCIL
STATEMENT OF CASH FLOWS

For the Year Ended 31 March	2011	2010
Cash flows from operating activities		
Excess of expenses over revenues	$ (13,532)	$ (7,111)
Add non-cash items:		
Amortization expense	3,657	3,657
	(9,875)	(3,454)
Net change in non-cash working capital items	91,154	(93,316)
	81,279	(96,770)
Increase in accrued severance pay	3,490	5,483
	84,769	(91,287)
Cash flows from investing activities		
Decrease in Trust Account asset - CAPE Fund	-	4,977
Increase in Arts Fund	(2,281)	(3,262)
	(2,281)	1,715
Cash flows from financing activities		
Interest earned on Arts Fund	2,281	3,262
Repayment of obligation under capital lease	(3,657)	(3,657)
Decrease in Trust Account liability - CAPE Fund	-	(4,977)
	(1,376)	(5,372)
Net increase (decrease) in cash and cash equivalents	81,112	(94,944)
Cash and cash equivalents, beginning of year	232,302	327,246
Cash and cash equivalents, end of year	$ 313,414	$ 232,302
Cash and cash equivalents include:		
Cash	$ 207,456	$ 76,402
Short term investments	105,958	155,900
	$ 313,414	$ 232,302

See accompanying notes

Authority

The Newfoundland and Labrador Arts Council (the Council) operates under the authority of the *Arts Council Act* of the Province of Newfoundland and Labrador. The Council has the responsibility of fostering and promoting the study and enjoyment of and the production of works in the arts. The Council consists of twelve members appointed by the Lieutenant-Governor in Council.

1. Summary of significant accounting policies

These financial statements have been prepared by the Council's management in accordance with Canadian generally accepted accounting principles. The budget disclosed in these financial statements is presented on a cash basis. Outlined below are the significant accounting policies followed.

(a) Capital assets

Capital assets, consisting of furniture, fixtures and equipment costing $32,968 (2010 - $93,357), have been fully amortized. Minor capital asset purchases are charged to operations in the year of acquisition.

(b) Investments

Investments are recorded at cost, which because of their short-term nature approximates market value. Investment income is recorded as earned.

(c) Deferred revenue

Deferred revenue represents funds received which relate to future operating periods. The revenue will be reported in the applicable future period when the related expenses have been incurred.

(d) Severance pay

Severance pay is calculated based on years of service and current salary levels. Entitlement to severance pay vests with employees after nine years of continuous service. Accordingly no provision has been made for employees with less than nine years of continuous service. The amount is payable when the employee ceases employment with the Council unless the employee transfers to another entity in the public service, in which case the liability is transferred with the employee to the other entity.

1. Significant accounting policies (cont.)

(e) Future Accounting Standards

In December 2010, the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants amended the introduction to Public Sector Accounting Standards effective for fiscal years beginning on or after 1 January 2011. As a result of this amendment, the Council will now be required to prepare its financial statements in accordance with Public Sector Accounting Standards. The Office of the Comptroller General of the Province has assessed the Council as being an Other Government Organization and has recommended that the Council implement Public Sector Accounting Standards. The Council is planning for the transition to the Public Sector Accounting Standards on a retrospective basis for the year ending 31 March 2012.

2. Accounts receivable

	2011	2010
Trade Receivable	**$ 2,500**	$ -
Harmonized Sales Tax	**26,719**	30,610
Province of Newfoundland and Labrador	**-**	10,000
	$ 29,219	$ 40,610

3. Trust Account - CAPE Fund

The Trust Account of $790 (2010 - $790) represents amounts received by the Council from the Alliance of Canadian Cinema, Television and Radio Artists (ACTRA) for the Cultural Assistance Plan for Emergencies (CAPE) Fund which provides funds to local artists in the event of an emergency. The Council administers the trust account on behalf of ACTRA, disbursing funds to local artists who meet the established criteria for emergency assistance.

4. Capital assets

(a) Asset under capital lease

During 2007-08, the Council obtained a photocopier under a five year capital lease. The asset is amortized on a straight-line basis over the life of the lease.

	2011	2010
Asset under capital lease	**$ 18,282**	$ 18,282
Less: accumulated amortization	**14,018**	10,361
	$ 4,264	$ 7,921

4. Capital assets (cont.)

(b) Other capital assets

During the year, the Council reviewed its listing of capital assets which have been fully amortized and removed capital assets which had been disposed of in either the current year or previous years. As a result, the cost of capital assets which have been fully amortized has been reduced to $32,968 from $93,357, a reduction of $60,389. There was no gain or loss on the disposal of the capital assets as they were fully amortized and there were no proceeds from the disposal.

5. Arts Fund

The Arts Fund was created pursuant to Section 9 of the *Arts Council Act*. The principal of the Fund is to be kept intact and only the interest earned on the invested principal may be disbursed, at the discretion of the Council, to foster and promote the study, enjoyment and production of works in the arts. This Fund is comprised of monies received from the Consolidated Revenue Fund of the Province of Newfoundland and Labrador and from gifts and bequests received without terms. Interest earned on the Fund is held in trust in the Fund until it is withdrawn. For the year ended 31 March 2011 interest of $2,281 (2010 - $3,262) was earned through investment of the Fund.

The Fund is comprised of monies received from:

	2011	2010
Province of Newfoundland and Labrador	$ 40,000	$ 40,000
Gifts and bequests as per Section 12(2) of the *Arts Council Act*	10,352	10,352
	50,352	50,352
Interest, beginning of year	**115,783**	112,521
Interest earned	**2,281**	3,262
Interest, end of year	**118,064**	115,783
Fund balance	**$ 168,416**	$ 166,135

At 31 March 2011, the Fund consisted of investments of $168,416. At 31 March 2010, the Fund consisted of investments of $166,135.

6. Deferred revenue

Deferred revenue as at 31 March 2011 consists of contributions received from the Province to be used for the Labrador Initiative. The purpose of the Labrador Initiative is to provide travel assistance grants to residents of Labrador to participate in arts and heritage activities on the Island portion of the Province. Another purpose of the Initiative is to provide travel assistance grants to arts and heritage organizations based in Labrador to enable them to have resource personnel from the Island portion of the Province travel to Labrador to attend seminars, workshops or similar events.

	2011	2010
Labrador Initiative	$ 110,530	$ 97,405
	$ 110,530	$ 97,405

7. Obligation under capital lease

	2011	2010
Obligation under capital lease	$ 4,264	$ 7,921
Less: current portion	3,657	3,657
	$ 607	$ 4,264

Future minimum lease payments under capital lease are:

2012	$ 4,140
2013	690
	4,830
Less: interest portion of payments	566
	$ 4,264

8. Revenues - Projects

	2011 Actual	2011 Budget	2010 Actual
Arts Smarts	$ 150,000	$ 150,000	$ 150,000
School Touring Program	110,000	110,000	110,000
Visiting Artists' Program	50,000	50,000	70,000
Winterset Award	23,000	23,000	13,000
Arts awards	2,500	5,000	7,500
Rhonda Payne Award	500	500	500
Larry Jackson Award	-	500	500
	$ 336,000	$ 339,000	$ 351,500

9. Expenses - Projects

	2011 Actual	2011 Budget	2010 Actual
Arts awards	$ 81,011	$ 55,000	$ 62,202
Arts Smarts	150,090	150,000	161,824
Larry Jackson Award	-	500	500
Rhonda Payne Award	500	500	500
School Touring Program	111,106	110,000	116,288
Visiting Artists' Program	57,292	50,000	70,414
Winterset Award	21,038	23,000	13,346
Youth Ventures Award	-	-	500
	$ 421,037	$ 389,000	$ 425,574

10. Operating expenses

	2011 Actual	2011 Budget	2010 Actual
Advertising	$ 1,098	$ 1,000	$ 4,928
Amortization expense	3,657	3,657	3,657
Labrador Initiative	87,413	100,000	110,033
Miscellaneous	13,456	20,783	8,857
Office and postage	13,049	13,142	9,453
Professional services	3,300	2,600	2,600
Project evaluating fees	16,512	17,000	15,739
Salaries and employee benefits	400,656	400,000	421,904
Strategic Plan	53,085	55,000	-
Telephone	5,951	6,000	5,360
Travel and Council meetings	45,611	47,000	36,766
Website	3,644	4,000	10,552
	$ 647,432	$ 670,182	$ 629,849

11. Related party transaction

The Council leases office space from the Province of Newfoundland and Labrador at an annual rate of $1.

12. Pensions

Council staff are subject to the *Public Service Pensions Act.* Employee contributions are matched by the Council and then remitted to the Province of Newfoundland and Labrador Pooled Pension Fund from which pensions will be paid to employees when they retire. The Council's share of pension contributions for 2011 was $23,655 (2010 - $22,697).

13. Economic dependence

As a result of the Council's reliance on Provincial funding, the Council's ability to continue viable operations is dependent upon the decisions of the Province.

14. Financial instruments

The Council's financial instruments recognized on the balance sheet consist of cash, short-term investments, accounts receivable, accounts payable and accrued liabilities, and obligation under capital lease. The carrying values of these instruments approximate current fair value due to their nature and the short-term maturity associated with them.

There is no credit risk associated with the Council's accounts receivable because the accounts are primarily due from the Federal government. Therefore, no allowance has been provided against these receivables.

15. Income taxes

The Council is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

NEWFOUNDLAND AND LABRADOR ARTS COUNCIL

FINANCIAL STATEMENTS

31 MARCH 2012

Management's Report

Management's Responsibility for the Newfoundland and Labrador Arts Council Financial Statements

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that transactions are properly authorized, assets are safeguarded and liabilities are recognized.

Furthermore, management is responsible for making sure transactions comply with relevant policies and authorities and are properly recorded to produce reliable financial information.

The Board of Directors are responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Board. The Board reviews external audited financial statements yearly.

The Auditor General conducts an independent audit of the annual financial statements of the Council, in accordance with Canadian generally accepted auditing standards, in order to express and opinion thereon. The Auditor General has full and free access to financial management of the Newfoundland and Labrador Arts Council.

On behalf of the Newfoundland and Labrador Arts Council.

Reginald Winsor

Reginald Winsor
Executive Director

26 September 2012

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

To the Board of Directors
Newfoundland and Labrador Arts Council
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Newfoundland and Labrador Arts Council which comprise the statement of financial position as at 31 March 2012, 31 March 2011, and 1 April 2010, the statements of operations and accumulated surplus, change in net financial assets, and cash flows for the years ended 31 March 2012 and 31 March 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

AUDITOR'S REPORT (cont.)

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Newfoundland and Labrador Arts Council as at 31 March 2012, 31 March 2011 and 1 April 2010, and its financial performance and its cash flows for the years ended 31 March 2012 and 31 March 2011 in accordance with Canadian public sector accounting standards.

TERRY PADDON, CA
Auditor General

26 September 2012
St. John's, Newfoundland and Labrador

NEWFOUNDLAND AND LABRADOR ARTS COUNCIL
STATEMENT OF FINANCIAL POSITION
As at

	31 March 2012	31 March 2011	1 April 2010
		(Note 2)	(Note 2)
FINANCIAL ASSETS			
Cash	**$ 285,188**	$ 207,456	$ 76,402
Accounts receivable (Note 6)	**33,949**	29,219	40,610
Portfolio investments (Notes 7 and 13)	**170,717**	274,374	322,035
	489,854	511,049	439,047
LIABILITIES			
Accounts payable and accrued liabilities (Note 8)	**134,021**	190,171	123,660
Deferred revenue (Note 9)	**119,604**	110,530	97,405
Obligation under capital lease (Note 10)	**607**	4,264	7,921
Employee future benefits (Note 11)	**63,943**	49,567	46,077
	318,175	354,532	275,063
Net Financial Assets	**171,679**	156,517	163,984
NON-FINANCIAL ASSETS			
Tangible capital assets (Note 12)	**607**	4,264	7,921
Prepaid expenses	**2,327**	2,485	2,612
	2,934	6,749	10,533
Accumulated surplus	**$ 174,613**	$ 163,266	$ 174,517

Trust account - CAPE Fund (Note 14)

The accompanying notes are an integral part of these financial statements.

Signed on behalf of the Council: ______________ Reginald Winsor

Chairperson **Member**

NEWFOUNDLAND AND LABRADOR ARTS COUNCIL
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
For the Year Ended 31 March

	2012 Budget	2012 Actual	2011 Actual
	(Note 19)		(Note 2)
REVENUES			
Province of Newfoundland and Labrador grants	$ 2,254,629	$ 2,153,343	$ 2,026,676
Projects (Note 15)	343,500	325,683	336,000
Miscellaneous	-	3,000	-
Income earned on portfolio investments	500	2,576	3,088
	2,598,629	2,484,602	2,365,764
EXPENSES (Note 16)			
Grants and awards			
Community Arts	75,000	75,000	75,000
Labrador Initiative	210,529	109,242	86,876
Professional Artists Travel Fund grants	30,000	31,000	31,020
Professional Festivals	125,000	125,000	89,195
Professional Project Grants Program	575,000	572,351	526,455
Sustaining Program for Professional Arts Organizations	575,000	575,000	500,000
	1,590,529	1,487,593	1,308,546
Projects (Note 17)	403,500	405,780	421,037
Operating expenses (Note 18)	599,450	579,882	647,432
	2,593,479	2,473,255	2,377,015
Annual surplus (deficit)	5,150	11,347	(11,251)
Accumulated surplus, beginning of year	163,266	163,266	174,517
Accumulated surplus, end of year	$ 168,416	$ 174,613	$ 163,266

The accompanying notes are an integral part of these financial statements.

NEWFOUNDLAND AND LABRADOR ARTS COUNCIL
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
For the Year Ended 31 March

	2012 Budget	2012 Actual	2011 Actual
	(Note 19)		(Note 2)
Annual surplus (deficit)	$ -	$ 11,347	$ (11,251)
Tangible capital assets			
Amortization of tangible capital assets	-	3,657	3,657
	-	3,657	3,657
Prepaid Expenses			
Acquisition of prepaid expense	-	(3,412)	(3,735)
Use of prepaid expense	-	3,570	3,862
	-	158	127
Increase (decrease) in net financial assets	-	15,162	(7,467)
Net financial assets, beginning of year	-	156,517	163,984
Net financial assets, end of year	$ -	$ 171,679	$ 156,517

The accompanying notes are an integral part of these financial statements.

NEWFOUNDLAND AND LABRADOR ARTS COUNCIL
STATEMENT OF CASH FLOWS

For the Year Ended 31 March	2012	2011
		(Note 2)
Operating transactions		
Annual surplus (deficit)	$ 11,347	$ (11,251)
Adjustment for non-cash items		
Amortization of tangible capital assets	3,657	3,657
	15,004	(7,594)
Change in non-cash operating items		
Accounts receivable	(4,730)	11,391
Accounts payable and accrued liabilities	(56,150)	66,511
Deferred revenue	9,074	13,125
Employee future benefits	14,376	3,490
Prepaid expenses	158	127
Cash provided from (applied to) operating transactions	(22,268)	87,050
Financing transactions		
Repayment of obligation under capital lease	(3,657)	(3,657)
Cash applied to financing transactions	(3,657)	(3,657)
Investing transactions		
Purchase of portfolio investments	(170,717)	(169,041)
Redemption of portfolio investments	274,374	216,702
Cash provided from investing transactions	103,657	47,661
Increase in cash	77,732	131,054
Cash, beginning of year	207,456	76,402
Cash, end of year	$ 285,188	$ 207,456

The accompanying notes are an integral part of these financial statements.

1. Nature of operations

The Newfoundland and Labrador Arts Council (the Council) operates under the authority of the *Arts Council Act* of the Province of Newfoundland and Labrador. The Council has the responsibility of fostering and promoting the study and enjoyment of and the production of works in the arts. The Council consists of twelve members appointed by the Lieutenant-Governor in Council.

The Council is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

2. Conversion to Canadian Public Sector Accounting Standards

In accordance with recent recommendations of the Public Sector Accounting Board (PSAB), the Council has determined that it is an Other Government Organization within the Government Reporting Entity. Accordingly, commencing with the 2012 fiscal year, the Council has adopted Canadian public sector accounting (CPSA) standards. These financial statements are the first financial statements for which the Council has applied CPSA standards. The Council had previously been preparing its financial statements using Canadian generally accepted accounting principles (CGAAP). The changeover became effective on 1 April 2011 with retroactive application to 1 April 2010.

As a result of the conversion to CPSA standards, the annual deficit for the year ended 31 March 2011 changed from $(13,532) to $(11,251), a difference of $2,281. This difference represents the interest earned on the Arts Fund. Previously, the interest earned on the Arts Fund was recorded as a direct increase to the Arts Fund, a component of equity (accumulated surplus for the current year), and did not get recognized on the statement of revenues, expenses, and deficit (statement of operations for the current year). Under CPSA standards, the interest earned on the Arts Fund has to be included in the statement of operations as there are no external restrictions on the Council's use of the interest earned. With the exception of the treatment of the interest earned on the Arts Fund, the conversion affected primarily only the presentation of the financial statements. There was no change to the accumulated surplus at the date of transition due to the conversion to Canadian public sector accounting standards.

3. Changes in accounting standards: early adoption of released CICA Public Sector Accounting Handbook sections

In March 2011, the PSAB approved new Section PS 3450, *Financial Instruments*, Section PS 2601, *Foreign Currency Translation* to replace current Section PS 2600, *Foreign Currency Translation* and Section PS 1201, *Financial Statement Presentation* to replace current Section PS 1200, *Financial Statement Presentation.* Government organizations are required to adopt the three sections in the same year. In addition, in March 2012, the PSAB approved Section PS 3041, *Portfolio Investments*, to replace current Section PS 3040, *Portfolio Investments*. The four sections are effective 1 April 2012 for government organizations but earlier adoption is permitted.

The Council decided to early adopt these sections for the year ending 31 March 2012. The adoption of sections PS 3450, PS 2601, and PS 1201 had no significant impact on the Council's financial statements.

The primary implication of adopting Section PS 3041 is that the Council can no longer apply Section PS 3030, *Temporary Investments*. As a result, when the temporary investments cannot be accounted for as cash equivalents (i.e.; when the investments have a maturity of three months or less from the date of acquisition) they have to be accounted for as portfolio investments. The Council had previously been accounting for its investments as temporary investments. Under PS 3041, the Council will now have to account for its investments as portfolio investments as the investments have a maturity of greater than three months from the date of acquisition. The primary implication of this change is that the Council will now have to present its purchase and redemptions of portfolio investments on the statement of cash flows.

4. Summary of significant accounting policies

(a) Basis of accounting

These financial statements are prepared by management in accordance with Canadian public sector accounting standards for provincial reporting entities established by the PSAB. The Council does not prepare a statement of re-measurement gains and losses as the Council does not enter into relevant transactions or circumstances that are being addressed by the statement.

(b) Portfolio investments

The Council invests in Guaranteed Investment Certificates. The portfolio investments are recorded at cost, which due to the current market rate associated with these investments approximates market value.

4. Summary of significant accounting policies (cont.)

(c) Deferred revenue

Deferred revenue consists of contributions received from the Province of Newfoundland and Labrador to be used for various initiatives as directed by the Province. These contributions are recognized as revenue in the fiscal year the related expenses are incurred.

(d) Employee future benefits

i. Severance pay is calculated based on years of service and current salary levels. Entitlement to severance pay vests with employees after nine years of continuous service, and accordingly a liability has been recorded for these employees. No liability or provision has been recorded for employees with less than nine years of continuous service as the amount would be insignificant. Severance is payable when the employee ceases employment with the Council unless the employee transfers to another entity in the public service, in which case the liability is transferred with the employee to the other entity.

ii. The employees of the Council are subject to the *Public Service Pensions Act, 1991.* Employee contributions are matched by the Council and remitted to the Province of Newfoundland and Labrador Pooled Pension Fund from which pensions will be paid to employees when they retire. The Public Service Pension Plan is a defined benefit plan, providing a pension on retirement based on the member's age at retirement, length of service and the average of the best five years of earnings.

The contributions of the Council to the plan are recorded as an expense for the year.

(e) Tangible capital assets

Tangible capital assets are recorded at cost, including amounts that are directly related to the acquisition of the assets.

The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over their estimated useful lives as shown:

Assets under capital lease	5 years
Office equipment	5 years

4. Summary of significant accounting policies (cont.)

(e) Tangible capital assets (cont.)

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Council's ability to provide services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the statement of operations and accumulated surplus.

Minor tangible capital asset purchases are charged to operations in the year of acquisition.

(f) Prepaid expenses

Prepaid expenses are charged to the expense over the periods expected to benefit from it.

(g) Revenues

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

The Council recognizes government transfers as revenues when the transfer is authorized, any eligibility criteria are met, and reasonable estimates of the amounts can be made.

Income from portfolio investments is recorded as earned.

(h) Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is expensed.

4. Summary of significant accounting policies (cont.)

(i) Measurement uncertainty

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of the revenues and expenses during the period. Items requiring the use of significant estimates include the useful life of tangible capital assets and estimated employee future benefits.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

5. Accounting pronouncements

Section PS 3410 Revised, *Government Transfers*

In December 2010, Section PS 3410, *Government Transfers*, was amended by the PSAB. These amendments are effective for fiscal years beginning on or after 1 April 2012, but earlier adoption is encouraged. The main changes pertain to recognition criteria for government transfers, affecting how the Council accounts for such transfers. The Council is still evaluating the impact of adopting the revised section in the coming year.

6. Accounts receivable

	31 March 2012	31 March 2011	1 April 2010
Trade accounts receivable	**$ 4,531**	$ 2,500	$ -
Harmonized sales tax receivable	**29,418**	26,719	30,610
Province of Newfoundland and Labrador	-	-	10,000
	$ 33,949	$ 29,219	$ 40,610

There is no allowance for doubtful accounts since all amounts are considered collectible.

7. Portfolio investments

	31 March 2012	31 March 2011	1 April 2010
Portfolio investments, at cost	**$ 170,717**	$ 274,374	$ 322,035
Portfolio investments, at market	**$ 170,717**	$ 274,374	$ 322,035

Investments consist of guaranteed investment certificates, with a maturity date of 2 November 2012 and interest rates ranging from 1.7% to 1.85%.

8. Accounts payable and accrued liabilities

	31 March 2012	31 March 2011	1 April 2010
Trade accounts payable	**$ 116,209**	$ 76,432	$ 37,708
Accrued employee benefits	**17,812**	113,739	85,952
	$ 134,021	$ 190,171	$ 123,660

9. Deferred revenue

Deferred revenue as at 31 March 2012 consists of contributions received from the Province to be used for the Labrador Initiative and the Visiting Artist Program. The purpose of the Labrador Initiative is to provide travel assistance grants to residents of Labrador to participate in arts and heritage activities on the Island portion of the Province. Another purpose of the Initiative is to provide travel assistance grants to arts and heritage organizations based in Labrador to enable them to have resource personnel from the Island portion of the Province travel to Labrador to attend seminars, workshops or similar events.

The purpose of the Visiting Artist Program (VAP) is to allow schools to bring individual artists, groups of artists, or arts organizations into the school to provide students with direct personal contact with practicing professional artists. The program covers artist fees, materials, and travel costs.

9. Deferred revenue (cont.)

	31 March 2012	31 March 2011	1 April 2010
Labrador Initiative	$ 101,287	$ 110,530	$ 97,405
Visiting Artist Program	18,317	-	-
	$ 119,604	$ 110,530	$ 97,405

10. Obligation under capital lease

	31 March 2012	31 March 2011	1 April 2010
Obligation under capital lease	$ 607	$ 4,264	$ 7,921

11. Employee future benefits

(a) Severance pay

Employee future benefits consist of the liability for severance pay of $63,943 (2011 - $49,567; 2010 - $46,077).

(b) The Council and its employees contribute to the Public Service Pension Plan in accordance with the *Public Service Pensions Act, 1991*. The Government of Newfoundland and Labrador administers the Public Service Pension Plan, including payment of pension benefits to employees to whom the *Act* applies. The Public Service Pension Plan is a multi-employer, defined benefit plan.

The plan provides a pension to employees based on their length of service and rates of pay. The maximum contribution rate for eligible employees was 8.6% (2011 - 8.6%). The Council's contributions equal the employee contributions to the plan. The Council is not required to make contributions in respect of any actuarial deficiencies of the plan. Total pension expense for the Council at 31 March 2012 was $22,628 (2011 - $23,655).

12. Tangible capital assets

	Assets under capital lease	Office equipment	Total
Cost			
Balance, 1 April 2010	$ 18,282	$ 89,442	$ 107,724
Disposals	-	(62,289)	(62,289)
Balance, 31 March 2011	18,282	27,153	45,435
Balance, 31 March 2012	18,282	27,153	45,435
Accumulated amortization			
Balance, 1 April 2010	10,361	89,442	99,803
Amortization Expense	3,657	-	3,657
Disposals	-	(62,289)	(62,289)
Balance, 31 March 2011	14,018	27,153	41,171
Amortization Expense	3,657	-	3,657
Balance, 31 March 2012	17,675	27,153	44,828
Net book value, 31 March 2012	**$ 607**	**$ -**	**$ 607**
Net book value, 31 March 2011	$ 4,264	$ -	$ 4,264
Net book value, 1 April 2010	$ 7,921	$ -	$ 7,921

13. Arts Fund

The Arts Fund was created pursuant to Section 9 of the *Arts Council Act.* The principal of the Fund is to be kept intact and only the interest earned on the invested principal may be disbursed, at the discretion of the Council, to foster and promote the study, enjoyment and production of works in the arts. This Fund is comprised of monies received from the Consolidated Revenue Fund of the Province of Newfoundland and Labrador and from gifts and bequests received without terms. Interest earned on the fund is held in trust in the Fund until it is withdrawn. For the year ended 31 March 2012, $2,301 (2011 - $2,281) was earned through investment of the Fund and is included with income earned from portfolio investments. The Fund balance is included in the accumulated surplus of the Council. The Fund is comprised of monies received from:

13. Arts Fund (cont.)

	2012	2011	2010
Province of Newfoundland and Labrador	**$ 40,000**	$ 40,000	$ 40,000
Gifts and bequests as per Section 12 (2) of the *Arts Council Act*	**10,352**	10,352	10,352
	50,352	50,352	50,352
Interest, beginning of year	**118,064**	115,783	112,521
Interest earned	**2,301**	2,281	3,262
Interest, end of year	**120,365**	118,064	115,783
Fund balance	**$ 170,717**	$ 168,416	$ 166,135

At 31 March 2012, the Fund consisted of portfolio investments of $170,717 (2011 - $168,416; 2010 - $166,135).

14. Trust account - CAPE Fund

The trust account of $287 (2011 - $790; 2010 - $790) represents amounts received by the Council from the Alliance of Canadian Cinema, Television and Radio Artists (ACTRA) for the Cultural Assistance Plan for Emergencies (CAPE) Fund which provides funds to local artists in the event of an emergency. The Council administers the trust account on behalf of ACTRA, disbursing funds to local artists who meet the established criteria for emergency assistance.

15. Revenues - Projects

	2012 Actual	2011 Actual
Arts Smarts	**$ 150,000**	$ 150,000
School Touring Program	**110,000**	110,000
Visiting Artists Program	**31,683**	50,000
Winterset Award	**30,000**	23,000
Arts awards	**2,500**	2,500
Rhonda Payne Award	**500**	500
Larry Jackson Award	**1,000**	-
	$ 325,683	$ 336,000

16. Expenses by object

	2012 Actual	2011 Actual
Grants and awards	$ 1,835,152	$ 1,680,482
Salaries and employee benefits	446,622	467,792
Purchased Services	113,130	94,975
Travel	49,160	79,719
Professional services	20,067	44,439
Telephone	5,467	5,951
Amortization	3,657	3,657
	$ 2,473,255	$ 2,377,015

As of March 2012, the Council's actual expenses did not exceed its legislated expense limit.

17. Expenses - Projects

	2012 Actual	2011 Actual
Arts awards	$ 73,395	$ 81,011
Arts smarts	160,983	150,090
Larry Jackson Award	1,000	-
Rhonda Payne Award	500	500
School Touring Program	113,302	111,106
Visiting Artists' Program	31,683	57,292
Winterset Award	24,917	21,038
	$ 405,780	$ 421,037

18. Operating expenses

	2012 Actual	2011 Actual
Advertising	$ 1,623	$ 1,098
Amortization	3,657	3,657
Labrador Initiative	95,493	87,413
Miscellaneous	13,284	13,456
Office and postage	12,386	13,049
Professional services	3,200	3,300
Project evaluating fees	16,867	16,512
Salaries and employee benefits	379,412	400,656
Strategic plan	-	53,085
Telephone	5,467	5,951
Travel and Council meetings	43,689	45,611
Website	4,804	3,644
	$ 579,882	$ 647,432

19. Budgeted figures

Budgeted figures, which have been prepared on a cash basis, are provided for comparison purposes and have been derived from the estimates approved by the Council.

20. Related party transactions

The Council leases office space from the Province of Newfoundland and Labrador at an annual rate of $1.

21. Financial Instruments

The Council's financial instruments recognized on the statement of financial position consist of cash, portfolio investments, accounts receivable, accounts payable and accrued liabilities, and obligation under capital lease. The carrying value of cash, accounts receivable, accounts payable and accrued liabilities, and obligation under capital lease approximate current fair value due to their nature and the short-term maturity associated with them. The carrying value of portfolio investments approximates the current market value due to the current market rate associated with these investments.

Risk management

The Council recognizes the importance of managing significant risks and this includes oversight designed to reduce the risks identified to an appropriate threshold. A significant risk currently managed by the Council is liquidity risk.

21. Financial Instruments (cont.)

Liquidity risk

Liquidity risk is the risk that the Council will be unable to meet its financial liabilities. The Council manages liquidity risk by monitoring its cash flows and ensuring that it has sufficient resources available to meet its liabilities.

22. Comparative figures

Certain comparative figures as at 31 March 2011 and 1 April 2010 and for the year ended 31 March 2011 have been reclassified to conform to the current year's presentation.

23. Non-Financial assets

The recognition and measurement of non-financial assets is based on their service potential. These assets will not provide resources to discharge liabilities of the Council. For non-financial assets, the future economic benefit consists of their capacity to render service to further the Council's objectives.

Grant Thornton

Financial Statements

Newfoundland and Labrador Centre for Health Information

March 31, 2012

Statement of responsibility

The accompanying financial statements are the responsibility of the management of the Newfoundland and Labrador Centre for Health Information (the "Centre") and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that financial information produced is relevant and reliable.

The Board met with management and its external auditors to review a draft of the financial statements and to discuss any significant financial reporting or internal control matters prior to their approval of the finalized financial statements.

Grant Thornton LLP as the Centre's appointed external auditors, have audited the financial statements. The auditor's report is addressed to the Directors of the Centre and appears on the following page. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to obtain reasonable assurance that the financial statements are free of material misstatement and present fairly the financial position and results of the Centre in accordance with Canadian public sector accounting standards.

______________________Chair______________________Director

Grant Thornton

Independent auditors' report

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To the Directors of

Newfoundland and Labrador Centre for Health Information

We have audited the accompanying financial statements of Newfoundland and Labrador Centre for Health Information, which comprise the statement of financial position as at March 31, 2012, March 31, 2011 and April 1, 2010 and the statement of operations, statement of net debt and changes in cash flows for the years ended March 31, 2012 and March 31, 2011 and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Centre's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Centre's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Newfoundland and Labrador Centre for Health Information as at March 31, 2012, March 31, 2011 and April 1, 2010 and its financial performance, net debt and its cash flows for the years ended March 31, 2012 and March 31, 2011 in accordance with Canadian public sector accounting standards.

Grant Thornton LLP

St. John's, Newfoundland and Labrador

June 20, 2012

Chartered Accountants

Newfoundland and Labrador Centre for Health Information

Statement of Financial Position

March 31	2012	(Note 3) 2011	(Note 3) April 1 2010
Financial assets			
Cash and cash equivalents	$ 5,535,147	$ 3,148,014	$ 816,556
Temporary investment	5,000,000	-	-
Receivables (Note 4)	5,520,376	8,395,654	7,406,445
	16,055,523	11,543,668	8,223,001
Liabilities			
Payables and accruals (Note 5)	7,256,470	5,182,788	5,505,319
Deferred revenue	12,492,096	7,644,248	9,675,165
Deferred capital contributions (Note 6)	13,125,510	13,645,727	8,662,078
Accrued severance pay	1,239,126	1,152,711	864,005
	34,113,202	27,625,474	24,706,567
Net debt	(18,057,679)	(16,081,806)	(16,483,566)
Non-financial assets			
Tangible capital assets (Page 15)	19,236,131	18,206,368	17,168,205
Prepaids	1,461,836	1,097,143	1,132,323
	20,697,967	19,303,511	18,300,528
Accumulated surplus	$ 2,640,288	$ 3,221,705	$ 1,816,962

Commitments (Note 7)

On behalf of the Centre

______________________ Chair ______________________ Director

See accompanying notes to the financial statements.

Newfoundland and Labrador Centre for Health Information

Statement of Operations and Changes in Accumulated Surplus

Year Ended March 31	**Actual 2012**	**(Note 8) Budget 2012**	(Note 3) Actual 2011
Revenue			
Grants			
Canada Health Infoway	**$ 2,123,342**	$ 2,507,215	$ 4,678,691
Government of Newfoundland and Labrador	**19,832,845**	23,136,491	18,697,473
Amortization of deferred capital	**1,668,795**	2,830,000	960,498
Research	**678,032**	665,020	655,743
Interest	**117,263**	-	30,481
Other	**2,014,248**	3,106,232	2,593,312
	26,434,525	32,244,958	27,616,198
Expenses (Pages 16 & 17)			
Administration	**6,978,402**	7,142,289	6,084,306
Clinical Programs	**4,048,161**	5,155,223	3,576,134
Infrastructure, Information Protection and EHR Operations	**10,088,110**	12,982,583	9,630,456
Projects	**3,874,324**	4,732,682	4,727,312
Research and Evaluation	**2,026,945**	2,232,181	2,193,247
	27,015,942	32,244,958	26,211,455
Annual (deficit) surplus	**$ (581,417)**	$ -	$ 1,404,743
Accumulated surplus, beginning of year	**$ 3,221,705**	$ 3,221,705	$ 1,816,962
Annual (deficit) surplus	**(581,417)**	-	1,404,743
Accumulated surplus, end of year	**$ 2,640,288**	$ 3,221,705	$ 3,221,705

See accompanying notes to the financial statements.

Newfoundland and Labrador Centre for Health Information

Statement of Net Debt

Year Ended March 31

	Actual 2012	**Budget 2012**	Actual 2011
Annual (deficit) surplus	**$ (581,417)**	$ -	$ 1,404,743
Acquisition of tangible capital assets	**(4,350,278)**	(2,264,056)	(3,744,809)
Amortization of tangible capital assets	**3,320,515**	2,980,000	2,706,646
Increase in prepaids	**(364,693)**	(369,337)	35,180
(Increase) decrease in net debt	**(1,975,873)**	346,607	401,760
Net debt, beginning of year	**(16,081,806)**	(16,081,806)	(16,483,566)
Net debt, end of year	**$(18,057,679)**	$(15,735,199)	$(16,081,806)

See accompanying notes to the financial statements.

Newfoundland and Labrador Centre for Health Information

Statement of Cash Flows

Year Ended March 31	2012	2011
Increase (decrease) in cash and cash equivalents		
Operating		
Annual (deficit) surplus	$ (581,417)	$ 1,404,743
Change in non-cash items		
Amortization of capital assets	3,320,515	2,706,646
Amortization of deferred capital contributions	(1,668,795)	(960,498)
Increase in severance pay accrual	86,415	288,706
Change in non-cash operating working capital		
Receivables	2,875,278	(989,209)
Prepaid expenses	(364,693)	35,180
Payables and accruals	2,073,682	(322,531)
Deferred revenue	4,847,848	(2,030,917)
Cash provided by operating transactions	10,588,833	132,120
Capital		
Cash applied to capital transactions	(4,350,278)	(3,744,809)
Financing transactions		
Capital contributions from Government and Infoway	1,148,578	5,944,147
Increase in cash and cash equivalents	7,387,133	2,331,458
Cash and cash equivalents, beginning of year	3,148,014	816,556
Cash and cash equivalents, end of year	$ 10,535,147	$ 3,148,014

See accompanying notes to the financial statements.

1. Purpose of organization

The Newfoundland and Labrador Centre for Health Information (the Centre) was established by the Government of Newfoundland and Labrador in 1996 following the recommendation of the Health System Information Task Force (1995). The Newfoundland and Labrador Centre for Health Information Act was proclaimed in April 27, 2007, thereby establishing the Centre as a Corporation without share capital under the Corporations Act. The Centre is a Government Organization and reports to the Legislative Assembly through the Ministry of Health and Community Services. The Centre is exempt from income tax under Section 149 of the Income Tax Act.

Through the support of the provincial government and Canada Health Infoway Inc., the Centre has been recognized for its contribution to the national agenda for development of the Electronic Health Record with the first provincial client registry designed and implemented for the Electronic Health Record. The Centre is also involved with data standards development and dissemination, applied health research and the evaluation of health information systems.

2. Summary of significant accounting policies

Basis of presentation

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles as recommended by the Public Sector Accounting Standards Board (PSAB) of the Canadian Institute of Chartered Accountants and reflect the following significant accounting policies.

Use of estimates

In preparing the Centre's financial statements in conformity with Canadian public sector accounting standards, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the period. Items requiring the use of significant estimates include the useful life of capital assets, estimated accrued severance and sick leave, rates of amortization and impairment of assets.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

2. Summary of significant accounting policies (cont'd.)

Revenue recognition

Government grants are recognized in the period in which entitlement arises. Revenue from grants is recognized as deferred revenue when amounts have been received but not all eligibility criteria has been met. Other revenue from research and other contracts is recognized as the related expenditures are incurred. Interest income is recognized as it is earned.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks, and short term deposits with original maturities of three months or less. Bank borrowings are considered to be financing activities.

Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives generally extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the annual deficit, provides the change in net debt for the year.

Tangible capital assets

Tangible capital assets are recorded at cost. Depreciation is provided annually at rates calculated to write off the assets over their estimated useful life as follows:

Computer equipment	20%, straight line
Office furniture	15%, straight line
Computer software	33%, straight line
Leasehold improvements	10%, straight line
Pharmacy Network	10%, straight line
Health Information Access Layer	10%, straight line
iEHR Labs	10%, straight line

Impairment of long-lived assets

Long lived assets are written down when conditions indicate that they no longer contribute to the Centre's ability to provide goods and services, or when the value of future economic benefits associated with the assets are less than their net book value. The net write downs would be accounted for as expenses in the statement of operations.

2. Summary of significant accounting policies (cont'd.)

Capital contributions

The Centre receives funding specifically for the development of major software and systems to be used by the various stakeholders within the Province's health care sector. The Centre also has a responsibility to continue to develop and sustain the software and systems for the stakeholders. Based on the Centre's responsibilities to provide a service to maintain these major projects, the funding received has been included as a liability and recognized as revenue over the project's useful life.

Severance pay

Severance pay is accounted for on an accrual basis and is calculated based upon years of service and current salary levels. The right to be paid severance pay vests with employees with nine years of continual service. Severance pay is payable when the employee ceases employment with the Centre and has achieved the minimum of nine years of continual service.

Financial instruments

The Centre considers any contract creating a financial asset, liability or equity instrument as a financial instrument, except in certain limited circumstances. The Centre accounts for the following as financial instruments:

- cash and cash equivalents;
- temporary investments;
- receivables; and
- payables and accruals.

A financial asset or liability is recognized when the Centre becomes party to contractual provisions of the instrument.

The Centre initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The Centre subsequently measures its financial assets and financial liabilities at cost or amortized cost.

Financial assets measured at fair value include cash and cash equivalents and temporary investments. Financial assets measured at cost include receivables.

Financial liabilities measured at cost include payables and accruals.

2. Summary of significant accounting policies (cont'd.)

The Centre removes financial liabilities, or a portion of, when the obligation is discharged, cancelled or expires.

Financial assets measured at cost are tested for impairment when there are indicators of impairment. Previously recognized impairment losses are reversed to the extent of the improvement provided the asset is not carried at an amount, at the date of the reversal, greater than the amount that would have been the carrying amount had no impairment loss been recognized previously. The amounts of any write-downs or reversals are recognized in net annual surplus.

Adoption of new accounting policies

During the year, the Centre transitioned to PSAB standards. As part of this transition, the Centre has also early adopted the new standards included in *PS 3410 Government Transfers* and *PS 3450 Financial Instruments*. The Public Sector Accounting Board encouraged early adoption of these standards in the year of transition.

3. Impact of the change in the basis of accounting

These financial statements are the first financial statements for which the Centre has applied Canadian public sector accounting standards ("PSAB"). The financial statements for the year ended March 31, 2012 were prepared in accordance with PSAB. Comparative period information presented for the year ended March 31, 2012 was prepared in accordance with PSAB and the provisions set out in Section *PS 2125 First-time adoption by government organizations.*

The date of transition to PSAB is April 1, 2010. The Centre's transition from generally accepted accounting principles (previously "GAAP") to PSAB resulted in a restatement of deferred project costs, accrued sick leave, deferred revenues, accrued severance pay, deferred capital contributions, and opening accumulated surplus as at April 1, 2010. The adoption of the standards also resulted in a restatement of the Statement of Operations for the year ended March 31, 2011 as well as the deferred project costs, deferred capital contributions, deferred revenue, accrued severance pay and accumulated surplus as of March 31, 2011. These changes are as follows:

3. Impact of the change in the basis of accounting (cont'd.)

(a) Adjustment to the statement of financial position as at April 1, 2010:

	As previously reported	Effect of transition	As restated
Financial assets			
Receivables	$ 7,049,484	$ 356,961	**$ 7,406,445**
Liabilities			
Payables and accruals	$ 5,380,319	$ 125,000	**$ 5,505,319**
Deferred revenues	9,833,950	(158,785)	**9,675,165**
Deferred capital contributions	13,719,541	(5,057,463)	**8,662,078**
Accrued severance pay	812,360	51,645	**864,005**
	$ 29,746,170	$ (5,039,603)	**$ 24,706,567**
Non-financial assets			
Deferred project costs	$ 4,610,316	$ (4,610,316)	**$ -**
Accumulated surplus	$ 1,030,716	$ 786,246	**$ 1,816,962**

(b) Reconciliation of previously reported excess of revenue over expenses for March 31, 2011 with the annual surplus for March 31, 2011 shown in the financial statements:

	2011
Excess of expenses over revenue, as previously reported at March 31, 2011	$ (507,917)
Adjustments related to:	
Timing of recognition of deferred project costs	2,039,439
Reversal of deferred capital contributions	133,712
Deferred revenue	(594)
Accrued severance pay not previously recognized	(259,897)
Annual surplus, as adjusted at March 31, 2011	$ 1,404,743

Upon transition, Canadian public sector accounting standards permits certain exemptions from full retrospective application. The Centre has applied the mandatory exceptions and has not elected to apply any of the available optional exemptions.

4. **Receivables**	**March 31 2012**	March 31 2011	April 1 2010
Government of Newfoundland and Labrador	**$ 1,997,911**	$ 2,464,461	$ 4,919,173
Canada Health Infoway	**3,030,730**	5,449,280	1,243,517
Harmonized sales tax	**183,086**	-	520,391
Other	**308,649**	481,913	723,364
	$ 5,520,376	$ 8,395,654	$ 7,406,445

5. **Payables and accruals**	**March 31 2012**	March 31 2011	April 1 2010
Trade	**$ 5,933,945**	$ 3,514,816	$ 4,415,461
Vacation and compensatory pay	**1,322,525**	1,206,354	1,089,858
Harmonized sales tax	**-**	461,618	-
	$ 7,256,470	$ 5,182,788	$ 5,505,319

6. **Deferred capital contributions**	**March 31 2012**	March 2011
Opening balance	**$ 13,645,727**	$ 8,662,078
Capital contributions from Government	**907,769**	1,908,491
Capital contribution from Canada Health Infoway	**240,809**	4,035,656
Amortization of deferred capital contribution	**(1,668,795)**	(960,498)
	$ 13,125,510	$ 13,645,727

7. Commitments

Under the terms of several long-term contracts related to the rental of office space, equipment lease and software fees, the Centre is committed to make the approximate payments for the next five years as follows:

2013	$ 4,709,716
2014	$ 4,665,245
2015	$ 3,738,128
2016	$ 3,641,568
2017	$ 478,333

8. Budget figures

The 2012 budget figures presented in the statement of operations are provided by management and have not been audited. The budget presented in the financial statements was prepared prior to the transition to PSAB.

9. Financial instruments

The Centre's financial instruments consist of cash and cash equivalents, temporary investments, receivables and payables and accruals. The book value of cash and cash equivalents, temporary investments, receivables and payables and accruals approximate fair value due to their short term maturity date.

Risks and concentrations

The Centre is exposed to various risks through its financial instruments. The following analysis provides a measure of the Centre's risk exposure and concentrations at March 31, 2012.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Centre is exposed to this risk mainly in respect of its payables and accruals. The Centre reduces its exposure to liquidity risk by monitoring its cash flows and ensuring that it has sufficient cash available to meet its obligations and liabilities. In the opinion of management the liquidity risk exposure to the Centre is low and not material.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Centre's credit risk is attributable to receivables. Management believes that the credit risk concentration with respect to financial instruments included in receivables is remote.

Newfoundland and Labrador Centre for Health Information

Schedule of Tangible Capital Assets

Year Ended March 31, 2012

	Computer equipment	Office furniture	Computer software	Leasehold improvements	Pharmacy Network	Electronic Health Records-Labs (iEHR Labs)	Health Information Access Layer (HIAL)	2012	2011
Cost									
Cost, beginning of year	$ 7,928,466	$ 342,845	$ 3,007,835	$ 223,821	$ 9,264,629	$ -	$ 4,012,000	$ 24,779,596	$ 21,034,785
Additions during the year	1,154,883	1,810	491,553	-	321,060	1,789,568	597,000	4,355,874	3,747,892
Disposals during the year	(105,578)	-	-	-	-	-	-	(105,578)	(3,081)
Cost, end of year	$ 8,977,771	$ 344,655	$ 3,499,388	$ 223,821	$ 9,585,689	$ 1,789,568	$ 4,609,000	$ 29,029,892	$ 24,779,596
Accumulated Amortization									
Accumulated amortization, beginning of year	$ 2,427,432	$ 152,104	$ 2,133,245	$ 40,203	$ 1,251,875	$ -	$ 568,367	$ 6,573,226	$ 3,866,580
Amortization	1,378,123	40,997	490,680	22,863	986,651	-	401,200	3,320,514	2,706,903
Reversal of accumulated depreciation relating to disposals	(99,979)	-	-	-	-	-	-	(99,979)	(257)
Accumulated amortization, end of year	$ 3,705,576	$ 193,101	$ 2,623,925	$ 63,066	$ 2,238,526	$ -	$ 969,567	$ 9,793,761	$ 6,573,226
Net book value of tangible capital assets	$ 5,272,195	$ 151,554	$ 875,463	$ 160,755	$ 7,347,163	$ 1,789,568	$ 3,639,433	$ 19,236,131	$ 18,206,368

Newfoundland and Labrador Centre for Health Information

Schedule of Expenses

March 31	2012	2011
Administration		
Consulting fees	$ 194,734	$ 115,162
Salaries and benefits	2,119,408	1,977,830
Depreciation	3,320,515	2,706,646
License fees	534	351
Minor equipment	9,854	4,337
Software maintenance	10,647	11,508
Rent	899,410	899,708
Other	423,300	368,764
	$ 6,978,402	$ 6,084,306
Clinical Programs		
Consulting fees	$ 596,612	$ 488,201
Salaries and benefits	2,665,245	2,297,543
License fees	66,946	6,656
Minor equipment	6,966	5,604
Software maintenance	267,607	235,532
Other	444,785	542,598
	$ 4,048,161	$ 3,576,134
Infrastructure, Information Protection and EHR Operations		
Consulting fees	$ 1,556,079	$ 2,059,271
Salaries and benefits	4,041,429	3,495,838
Data communication charges	892,602	867,415
License fees	275,642	204,148
Minor equipment	27,596	29,167
Software maintenance	2,904,887	2,599,947
Rent	33,900	80,389
Other	355,975	294,281
	$ 10,088,110	$ 9,630,456
Projects		
Consulting fees	$ 2,368,499	$ 3,182,668
Salaries and benefits	1,033,275	1,081,128
License fees	191,035	60,867
Minor equipment	61,040	59,405
Other	220,475	343,244
	$ 3,874,324	$ 4,727,312

Newfoundland and Labrador Centre for Health Information

Schedule of Expenses

March 31	2012	2011
Research and Evaluation		
Consulting fees	$ 66,890	$ 106,254
Salaries and benefits	1,894,307	2,001,201
License fees	7,883	7,959
Minor equipment	4,066	610
Other	53,799	77,223
	$ 2,026,945	$ 2,193,247
Total expenses	$ 27,015,942	$ 26,211,455

NEWFOUNDLAND AND LABRADOR CROP INSURANCE AGENCY

NEWFOUNDLAND AND LABRADOR CROP INSURANCE FUND

FINANCIAL STATEMENTS

31 MARCH 2012

Management's Report

Management's Responsibility for the Newfoundland and Labrador Crop Insurance Agency, Newfoundland and Labrador Crop Insurance Fund Financial Statements

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that transactions are properly authorized, assets are safeguarded and liabilities are recognized.

Management is also responsible for ensuring that transactions comply with relevant policies and authorities and are properly recorded to produce timely and reliable financial information.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Board. The Board reviews internal financial information periodically and external audited financial statements yearly.

The Auditor General conducts an independent audit of the annual financial statements of the Agency in accordance with Canadian generally accepted auditing standards, in order to express an opinion thereon. The Auditor General has full and free access to financial management of the Newfoundland and Labrador Crop Insurance Agency.

On behalf of the Newfoundland and Labrador Crop Insurance Agency.

C. MacDonald

Ms. Cynthia MacDonald, P.Ag.
Director of Agriculture Business Development

21 June 2012

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

To the Board of Directors
Newfoundland and Labrador Crop Insurance Agency
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Newfoundland and Labrador Crop Insurance Agency, Newfoundland and Labrador Crop Insurance Fund, which comprise the statement of financial position as at 31 March 2012, the statements of operations and accumulated surplus, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Auditor's Report (cont.)

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Newfoundland and Labrador Crop Insurance Agency, Newfoundland and Labrador Crop Insurance Fund as at 31 March 2012, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

TERRY PADDON, CA
Auditor General

21 June 2012
St. John's, Newfoundland and Labrador

NEWFOUNDLAND AND LABRADOR CROP INSURANCE AGENCY
NEWFOUNDLAND AND LABRADOR CROP INSURANCE FUND
STATEMENT OF FINANCIAL POSITION
As at

	31 March 2012	31 March 2011	1 April 2010
		(Note 2)	(Note 2)
FINANCIAL ASSETS			
Cash	$ 127,172	$ 163,823	$ 130,332
Accounts Receivable (Note 6)	6,282	4,010	1,902
	133,454	167,833	132,234
LIABILITIES			
Accounts payable and accrued liabilities (Note 7)	1,800	3,710	6,591
	1,800	3,710	6,591
Net financial assets	131,654	164,123	125,643
NON-FINANCIAL ASSETS	-	-	-
Accumulated surplus	$ 131,654	$ 164,123	$ 125,643

The accompanying notes are an integral part of these financial statements

Signed on behalf of the Board:

C. MacDonald
Chairperson

Gerald Wicks
Member

NEWFOUNDLAND AND LABRADOR CROP INSURANCE AGENCY
NEWFOUNDLAND AND LABRADOR CROP INSURANCE FUND
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
For the Year Ended 31 March

	2012 Budget	2012 Actual	2011 Actual
	(Note 10)		
REVENUES			
Government of Canada (Note 8)	$ -	$ 181,652	$ 138,726
Province of Newfoundland and Labrador (Note 8)	-	121,101	92,484
Premiums from insured persons	-	39,144	53,506
Late payment fees	-	1,400	1,387
Appeal administration fee	-	100	100
Conference registration fees	-	-	2,230
	-	343,397	288,433
EXPENSES			
Administration (Note 5)			
Bank charges	-	8	20
Board expenses	-	2,024	1,780
Equipment supplies	-	13,828	-
Professional services	-	2,952	1,600
Purchased services	-	5,553	10,771
Salaries and employee benefits	-	182,405	111,631
Supplies	-	18,856	10,783
Transportation and communications	-	18,341	14,366
	-	243,967	150,951
Conference expense	-	-	2,232
Indemnity claims	-	131,899	96,770
	-	375,866	249,953
Annual surplus (deficit)	-	(32,469)	38,480
Accumulated surplus, beginning of year	164,123	164,123	125,643
Accumulated surplus, end of year	$ 164,123	$ 131,654	$ 164,123

The accompanying notes are an integral part of these financial statements

1. Nature of operations

The Newfoundland and Labrador Crop Insurance Agency (the Agency) operates under the authority of the *Crop Insurance Act*. The purpose of the Agency is to operate the Newfoundland and Labrador Crop Insurance Fund to provide insurance to farmers of the Province to restrict the amount of financial loss due to crop failure. Its affairs are managed by a Board of Directors appointed by the Lieutenant-Governor in Council. These statements are a representation of the activities of the Newfoundland and Labrador Crop Insurance Fund.

The Board is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

2. Conversion to Canadian Public Sector Accounting Standards

Commencing with the 2012 fiscal year, the Newfoundland and Labrador Crop Insurance Agency has adopted Canadian public sector accounting standards. These financial statements are the first financial statements for which the Agency has applied Canadian public sector accounting standards. The changeover became effective on 1 April 2011 with retroactive application to 1 April 2010.

The conversion affects primarily only the presentation of the financial statements in that government transfers previously reported in equity as contributed capital are now recorded as part of the accumulated surplus. As a result, the accumulated surplus at 1 April 2010 has increased by $280,000 from a deficit of $154,357 to a surplus of $125,643.

3. Summary of significant accounting policies

(a) Basis of accounting

These financial statements are prepared by management in accordance with Canadian public sector accounting standards for provincial reporting entities established by the Canadian Public Sector Accounting Board. The Agency does not prepare a statement of change in net financial assets and a statement of cash flows as this information is readily apparent from the other statements.

(b) Revenue recognition

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues.

3. Significant accounting policies (cont.)

(c) Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is expensed.

The Agency is administered as a division of the Department of Natural Resources. Expenses related to salaries, and professional services are paid directly by the Department and are reflected in these financial statements as expenses of the Agency and as revenue from the Province.

4. Financial instruments

The Agency's financial instruments recognized on the statement of financial position consist of cash, accounts receivable, and accounts payable and accrued liabilities. The carrying values of these instruments approximate current fair value due to their nature and the short-term maturity associated with them. Any estimated impairment of account receivable has been provided for through an allowance for doubtful accounts and no further credit risk exists in relation to the financial instruments.

5. Related party transactions

The Agency is administered by employees of the Department of Natural Resources. Excluding bank charges, salaries and other costs of $243,959 (2011 - $150,931) applicable to the operation of the Board have been paid by the Department and are reflected in these financial statements as expenses of the Agency and as revenue in the form of payments made by the Province and the Government of Canada.

6. Accounts receivable

	31 March 2012	31 March 2011	1 April 2010
Province of Newfoundland and Labrador	**$ 1,828**	$ 1,620	$ 1,902
Premiums from insured persons	**6,594**	4,530	2,140
	8,422	6,150	4,042
Less: provision for doubtful accounts	**2,140**	2,140	2,140
	$ 6,282	$ 4,010	$ 1,902

7. Accounts payable and accrued liabilities

	31 March 2012	31 March 2011	1 April 2010
Indemnity claim payable to insured persons	$ -	$ 2,110	$ 5,191
Province of Newfoundland and Labrador	1,800	1,600	1,400
	$ 1,800	$ 3,710	$ 6,591

8. Premium contributions and administrative expenses

	2012	2011
Government of Canada		
Provincial contributions	$ 146,381	$ 48,155
Payments for administration	35,271	90,571
	$ 181,652	$ 138,726
Province of Newfoundland and Labrador		
Provincial contributions	$ 97,587	$ 32,104
Payments for administration	23,514	60,380
	$ 121,101	$ 92,484

9. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

10. Budgeted figures

Budgeted figures have not been presented as the Board does not prepare a budget consistent with the presentation of the statement of operations and accumulated surplus.

NEWFOUNDLAND AND LABRADOR GOVERNMENT SINKING FUND

FINANCIAL STATEMENTS

31 MARCH 2012

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

To the Board of Trustees of the
Newfoundland and Labrador Government Sinking Fund
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Newfoundland and Labrador Government Sinking Fund which comprise the balance sheet as at 31 March 2012, and the statements of statutory contributions, retained earnings, revenues and expenses, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting policies described in Note 1 to meet the information needs of the Newfoundland and Labrador Government Sinking Fund and the Government of Newfoundland and Labrador under Section 39 of the *Financial Administration Act* and under the various debentures which require the establishment of sinking funds, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Auditor's Report (cont.)

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Newfoundland and Labrador Government Sinking Fund as at 31 March 2012, and its financial performance and its cash flows for the year then ended in accordance with the accounting policies described in note 1 to these financial statements.

Basis of accounting

These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information of the Newfoundland and Labrador Government Sinking Fund and the Government of Newfoundland and Labrador to meet their information needs under Section 39 of the *Financial Administration Act* and under the various debentures which require the establishment of sinking funds. These financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose.

Sandra Russell

SANDRA RUSSELL, CA
Deputy Auditor General

28 September 2012
St. John's, Newfoundland and Labrador

STATEMENT 1

NEWFOUNDLAND AND LABRADOR GOVERNMENT SINKING FUND

BALANCE SHEET

As at 31 March

	2012	2011
	(000's)	(000's)
ASSETS		
Current		
Cash	$ 25,180	$ 22,268
Term deposits and short-term investments	-	6,011
Interest and other receivables		
Province of Newfoundland and Labrador - guaranteed	9,812	9,376
Other	3,635	3,416
	38,627	41,071
Investments, at amortized cost (Schedule 1)		
Cost	798,694	768,799
Accumulated amortization of discounts and premiums	75,781	114,723
	874,475	883,522
	$ 913,102	$ 924,593
LIABILITIES AND SINKING FUND EQUITY		
Current		
Accounts payable and accrued liabilities	$ 12	$ 11
Due to Province of Newfoundland and Labrador	195	259
	207	270
Sinking fund equity		
Statutory contributions (Statement 2)	529,502	525,239
Retained earnings (Statement 3)	383,393	399,084
	912,895	924,323
	$ 913,102	$ 924,593

See accompanying notes

Signed on behalf of the Board: Laurie Skinner Hall

Chairperson **Member**

NEWFOUNDLAND AND LABRADOR GOVERNMENT SINKING FUND

STATEMENT OF STATUTORY CONTRIBUTIONS

For the Year Ended 31 March	2012	2011
	(000's)	(000's)
Balance, beginning of year	**$ 525,239**	$ 487,319
Statutory contributions for the year	**48,554**	48,352
	573,793	535,671
Statutory contributions applicable to matured/redeemed debentures	**(48,190)**	(4,311)
Foreign currency translation adjustment (Note 2)	**3,899**	(6,121)
Balance, end of year	**$ 529,502**	$ 525,239

See accompanying notes

NEWFOUNDLAND AND LABRADOR GOVERNMENT SINKING FUND

STATEMENT OF RETAINED EARNINGS

For the Year Ended 31 March

	2012	2011
	(000's)	(000's)
Balance, beginning of year	$ 399,084	$ 368,915
Excess of revenues over expenses	52,918	47,951
	452,002	416,866
Retained earnings applicable to matured/redeemed debentures	(72,037)	(12,016)
Foreign currency translation adjustment (Note 2)	3,428	(5,766)
Balance, end of year	$ 383,393	$ 399,084

See accompanying notes

NEWFOUNDLAND AND LABRADOR GOVERNMENT SINKING FUND

STATEMENT OF REVENUES AND EXPENSES

For the Year Ended 31 March	2012	2011
	(000's)	(000's)
REVENUES		
Interest income		
Debentures	$ 39,725	$ 37,072
Term deposits and short-term investments	4	34
Other	382	348
	40,111	37,454
Foreign currency translation gains (losses) (Note 2)	851	(1,203)
Amortization of discounts and premiums	12,228	12,300
Loss on redemption/sales	-	(342)
	53,190	48,209
EXPENSES		
Salaries and benefits	160	152
General	112	106
	272	258
Excess of revenues over expenses	$ 52,918	$ 47,951

See accompanying notes

NEWFOUNDLAND AND LABRADOR GOVERNMENT SINKING FUND
STATEMENT OF CASH FLOWS

For the Year Ended 31 March	2012	2011
	(000's)	(000's)
Cash flows from operating activities		
Excess of revenues over expenses	$ 52,918	$ 47,951
Adjustment for non-cash items		
Amortization of discounts and premiums	(12,228)	(12,300)
Foreign currency translation (gains) losses (Note 2)	(851)	1,203
Loss on redemption/sales	-	342
	39,839	37,196
Change in non-cash working capital	(718)	(569)
	39,121	36,627
Cash flows from financing activities		
Statutory contributions	48,554	48,352
Cash flows from investing activities		
Purchase of investments	(93,002)	(100,401)
Proceeds from redemption and sale of investments	122,014	-
Payments of excess to Province upon maturing debentures	(120,227)	(6,065)
	(91,215)	(106,466)
Net decrease in cash and cash equivalents	(3,540)	(21,487)
Effect of foreign currency translation adjustment (Note 2)	441	(1,657)
Cash and cash equivalents, beginning of year	28,279	51,423
Cash and cash equivalents, end of year	$ 25,180	$ 28,279
Cash and cash equivalents include:		
Cash	$ 25,180	$ 22,268
Term deposits and short-term investments	-	6,011
	$ 25,180	$ 28,279

See accompanying notes

NEWFOUNDLAND AND LABRADOR GOVERNMENT SINKING FUND
SCHEDULE OF INVESTMENTS
31 March

	2012		2011	
	Face Value or Par (000's)	**Amortized Cost (000's)**	Face Value or Par (000's)	Amortized Cost (000's)
Canadian				
Province of Newfoundland and Labrador - guaranteed				
Province of Newfoundland and Labrador	**$ 143,660**	**$ 152,429**	$ 143,660	$ 153,106
Newfoundland and Labrador Municipal Financing Corporation	**4,581**	**4,595**	19,350	19,346
Health Care Corporation (Eastern Health)	**7,000**	**9,953**	-	-
Newfoundland and Labrador Hydro	**30,248**	**35,379**	30,248	35,678
Coupons and residuals	**260,509**	**150,497**	311,940	191,488
	445,998	**352,853**	505,198	399,618
Other securities	**103,167**	**108,833**	110,760	115,994
Other coupons and residuals	**231,764**	**113,613**	185,963	98,473
	780,929	**575,299**	801,921	614,085
U.S.				
Province of Newfoundland and Labrador - guaranteed				
Province of Newfoundland and Labrador	**130,128**	**145,351**	120,477	134,534
Other securities	**111,302**	**137,219**	97,080	120,205
Other coupons and residuals	**24,543**	**16,606**	23,121	14,698
	265,973	**299,176**	240,678	269,437
Total investments	**$ 1,046,902**	**$ 874,475**	$ 1,042,599	$ 883,522

See accompanying notes

Authority

The Province of Newfoundland and Labrador issues debentures, most of which have sinking fund requirements. For debentures which have sinking fund requirements, the Province makes the required sinking fund payments (statutory contributions) to the Board of Trustees of the Newfoundland and Labrador Government Sinking Fund. This is an unincorporated body formed under the *Financial Administration Act.* All members of the Board are full-time employees of the Province and are appointed by the Lieutenant-Governor in Council.

1. Basis of accounting

These financial statements have been prepared by the Newfoundland and Labrador Government Sinking Fund in accordance with the summary of significant accounting policies set out below to meet the information needs of the Newfoundland and Labrador Government Sinking Fund and the Government of Newfoundland and Labrador under Section 39 of the *Financial Administration Act* and under the various debentures which require the establishment of sinking funds.

The basis of accounting used in these financial statements may materially differ from Canadian generally accepted accounting principles because these statements do not represent general purpose financial statements.

Summary of significant accounting policies

These financial statements have been prepared on the accrual basis of accounting. Outlined below are the significant policies followed.

(a) Cash and cash equivalents

Cash and cash equivalents include balances with banks, and term deposits and short-term investments with original maturities of three months or less.

Short-term deposits are recorded at cost which approximates market value because of the short-term nature of the securities.

1. Basis of accounting (cont.)

Summary of significant accounting policies (cont.)

(b) Investment transactions

(i)	Purchases:	Investments are initially recorded at cost.
(ii)	Amortization:	Discounts and premiums are amortized on a straight-line basis from the date of purchase until maturity.
(iii)	Sales:	Sales of investments are at a negotiated selling price. Sales are recorded at the proceeds less the investment's average amortized cost, with any resulting gain or loss also recorded.
(iv)	Redemptions:	On occasion, investments held in the Fund will be called for redemption by the issuer. In such instances, a gain is recorded equal to the redemption proceeds less the investment's average amortized cost.

(c) Maturity of a Province of Newfoundland and Labrador debenture issue for which a sinking fund has been provided

(i) General

Provision is made for redemption at debenture maturity by investing statutory contributions in interest bearing securities and other investments. Both the contributions and the interest are used to pay debenture holders when debentures mature.

A record is maintained of statutory contributions received on account of each issue and of income allocated to each issue (retained earnings). The dollar total of an issue's statutory contributions and allocated income is called its Sinking Fund Value.

At maturity, statutory contributions are reduced by the total amount of statutory contributions received over the life of the issue. Retained earnings are reduced by the excess of the debenture's Sinking Fund Value over statutory contributions received.

(ii) Cash flow

At maturity, cash is paid into a redemption bank account in an amount equal to the lesser of the total face value of the issue or the Sinking Fund Value of the issue, less the face value of the issue held in the Fund's investments. If the issue's Sinking Fund Value exceeds the total face value, the excess is paid to the Consolidated Revenue Fund of the Province of Newfoundland and Labrador. If the issue's Sinking Fund Value is less than the total face value, the difference is paid into the redemption bank account by the Province.

1. Basis of accounting (cont.)

Summary of significant accounting policies (cont.)

(d) Cancellation of Province of Newfoundland and Labrador debentures held by the Sinking Fund upon related sinking fund debentures becoming fully funded when the value of a sinking fund for a debenture issue equates to the outstanding principal amount of that issue, the Sinking Fund will return to the Province for cancellation any debentures of that issue held by the Sinking Fund. The cancellation of sinking fund assets results in a corresponding reduction in sinking fund equity. Interest income continues to be allocated to the sinking fund until maturity of the related debenture issue and is returned to the Province annually.

(e) Interest income

Interest income is recorded on an accrual basis.

(f) Foreign currency translation

Assets, liabilities, revenues and expenses denominated in U.S. currency are translated as follows:

(i) assets and liabilities are translated at the rate of exchange in effect at the balance sheet date; and

(ii) revenues and expenses are translated at the rate of exchange in effect on the dates on which such items are recognized in income during the year, or an average of such.

Gains and losses resulting from foreign currency translation are amortized on a straight-line basis over the remaining life of each issue's sinking fund.

2. Effect of foreign currency translation

At 31 March 2012, the Fund held $874,475,000 (2011 - $883,522,000) in investments as shown in Schedule 1. These investments include $299,176,000 in U.S. investments (2011 - $269,437,000).

The Fund assets, liabilities, statutory contributions and retained earnings denominated in U.S. currency are translated at the rate of exchange in effect at the balance sheet date. The Fund's revenues and expenses are translated at the rate of exchange in effect on the dates on which such items are recognized in income during the year, or an average of such. It is not the intention of the Fund that its U.S. assets will be converted into Canadian dollars.

2. Effect of foreign currency translation (cont.)

In 2012, the translation of U.S. assets at year end resulted in a net foreign exchange gain due to an increase in the value of the U.S. dollar. In 2011, the translation of U.S. assets at year end resulted in a net foreign exchange loss due to a decrease in the value of the U.S. dollar. Any gains or losses resulting from foreign currency translations will not become realized until such time that U.S. assets should ever actually be converted to Canadian dollars.

		2012 **(000's)**		2011 (000's)
The effect of the translation is as follows:				
Statutory contributions have been increased (decreased) by	**$**	**3,899**	$	(6,121)
Retained earnings have been increased (decreased) by		**3,428**		(5,766)
Excess of revenues over expenses has been increased (decreased) by		**851**		(1,203)
Total impact of foreign currency translation		**8,178**		(13,090)
The effect of this amount on the Fund assets is as follows:				
Investments have been increased (decreased) by		**7,737**		(11,433)
Cash and cash equivalents have been increased (decreased) by	**$**	**441**	$	(1,657)

3. Financial instruments

The Newfoundland and Labrador Government Sinking Fund's short-term financial instruments recognized on the balance sheet consist of cash, term deposits and short-term investments, interest and other receivables, accounts payable and accrued liabilities, and due to Province of Newfoundland and Labrador. The carrying values of these instruments approximate current fair value due to their nature and the short-term maturity associated with them.

The Fund holds long-term investments which have an amortized cost of $874,475,000 (2011 - $883,522,000). The face value of these investments is $1,046,902,000 (2011 - $1,042,599,000). The policy and intention of the Board is to hold these long-term investments to maturity. Therefore, their reported value is current fair value to the Fund and there is no rate risk associated with these investments.

4. Income taxes

The Newfoundland and Labrador Government Sinking Fund is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION

FINANCIAL STATEMENTS

31 MARCH 2011

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

To the Chairperson and Members
Newfoundland and Labrador Housing Corporation
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Newfoundland and Labrador Housing Corporation which comprise the balance sheet as at 31 March 2011 and the statement of revenues, expenses and surplus, and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Auditor's Report (cont.)

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Newfoundland and Labrador Housing Corporation as at 31 March 2011 and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

JOHN L. NOSEWORTHY, CA
Auditor General

29 July 2011
St. John's, Newfoundland and Labrador

NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION

BALANCE SHEET

31 March	2011	2010
	(000's)	(000's)
ASSETS		
Cash	$ 70,784	$ 61,177
Accounts receivable (Note 2)	8,218	10,231
Due from the Province of Newfoundland and Labrador - Labrador Housing Programs (Note 3)	1,241	2,291
Inventory and prepaid expenses (Note 4)	4,085	3,911
Mortgages and loans receivable (Note 5)	8,578	10,502
Receivable from municipalities re: land transfers (Note 6)	1,264	1,448
Land assemblies (Note 7)	1,322	1,322
Rental properties (Note 8)	185,485	190,167
Capital assets (Note 9)	10,742	11,238
	$ 291,719	$ 292,287
LIABILITIES AND EQUITY		
Accounts payable and accrued liabilities	$ 16,199	$ 14,594
Deferred revenue (Note 10)	26,016	29,418
Group health and life insurance retirement benefits (Note 11)	16,262	14,768
Capital replacement fund (Note 12)	6,012	6,267
Mortgage insurance fund (Note 13)	3,252	3,252
Mortgages, debentures and similar indebtedness (Note 14)	25,596	24,777
CMHC investment in cost-shared programs (Note 15)	104,469	110,570
	197,806	203,646
Equity		
Contributed capital - Province of Newfoundland and Labrador (Note 16)	62,861	62,861
Surplus	31,052	25,780
	93,913	88,641
	$ 291,719	$ 292,287

Contingent liabilities (Note 17)

Commitments (Note 18)

See accompanying notes

Signed on behalf of the Board:

Len Simms
Chairperson

Rhonda M. Neary
Member

NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION
STATEMENT OF REVENUES, EXPENSES AND SURPLUS
For the Year Ended 31 March

	2011	2010
	(000's)	(000's)
REVENUES		
CMHC (Note 20)	$ 68,255	$ 60,052
Province of Newfoundland and Labrador operating grant	61,759	56,570
Rent	19,659	18,797
Interest	5,389	5,482
Other income	1,080	852
Profit from land sales by municipalities	674	317
Land assemblies sales	102	10,759
Gain on sale of rental properties	23	79
	156,941	152,908
EXPENSES		
Administrative expenses (Note 21)	22,975	22,051
CMHC share of interest revenue	402	680
Community based housing operating subsidies	14,395	13,838
Grants to homeowners	32,608	22,332
Interest expense	2,460	2,429
Land assemblies costs (Note 7)	66	6,901
Losses on mortgages, loans and repossessions	17	55
Mortgage subsidies	378	611
Provincial Housing Strategy	605	-
Rental properties expenses (Note 22)	71,273	65,692
Rental properties written off	-	59
Rent supplement subsidies	6,490	5,757
	151,669	140,405
Excess of revenues over expenses	5,272	12,503
Surplus, beginning of year	25,780	13,277
Surplus, end of year	$ 31,052	$ 25,780

See accompanying notes

NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION
STATEMENT OF CASH FLOWS

For the Year Ended 31 March	2011	2010
	(000's)	(000's)
Cash flows from operating activities:		
Excess of revenues over expenses	$ 5,272	$ 12,503
Add (deduct) non-cash items:		
Mortgage subsidies	378	611
Losses on mortgages, loans and repossessions	17	55
Amortization of rental properties (Note 22)	6,998	6,874
Amortization of community based housing	1,005	913
Amortization of Labrador Housing Programs	1,050	1,050
Write-off of rental properties	-	59
Gain on sale of rental properties	(23)	(79)
Amortization of capital assets	1,288	1,281
CMHC portion of non-cash items	166	262
Group health and life insurance retirement benefits (Note 11)	1,494	1,425
	17,645	24,954
Net change in other operating items	3,444	(2,805)
	21,089	22,149
Cash flows from investing activities:		
Decrease in receivable from municipalities re: land transfers	184	56
Decrease in land assemblies	-	5999
Advances of mortgages and loans	(2,006)	(1,831)
Principal recoveries of mortgages and loans	3,535	4,053
Proceeds from sale of rental properties	66	349
Investment in capital assets	(792)	(3,449)
Investment in rental properties	(3,364)	(4,669)
	(2,377)	508
Cash flows from financing activities:		
(Decrease) increase in deferred revenue	(3,402)	5,155
Decrease in capital replacement fund	(255)	(401)
Increase in mortgages, debentures, and similar indebtedness	2,062	1,521
Repayments of mortgages, debentures, and similar indebtedness	(1,243)	(1,118)
Repayments of CMHC investment in cost-shared programs	(6,267)	(7,270)
	(9,105)	(2,113)
Increase in cash	9,607	20,544
Cash, beginning of year	61,177	40,633
Cash, end of year	$ 70,784	$ 61,177

See accompanying notes

Authority

The Newfoundland and Labrador Housing Corporation (the Corporation) operates under authority of the *Housing Corporation Act*. The purpose of the Corporation is to provide cost-effective housing and related programs for the benefit of the residents of the Province with priority given to those most in need. Its affairs are governed by a Board of Directors appointed by the Lieutenant-Governor in Council.

1. Summary of significant accounting policies

These financial statements have been prepared by the Corporation's management in accordance with Canadian generally accepted accounting principles. Outlined below are the significant accounting policies followed.

(a) Mortgages and loans receivable

An allowance for mortgages and loans impairment is estimated based on the value of accounts referred to a collection agency and the accounts with reported arrears balances. The security and source of funding for the accounts that are in arrears are considered in this estimation.

(b) Repossessed units

Repossessed units are valued at the lower of cost and net realizable value based on appraised values and the estimated recovery of cost through social housing rental programs.

(c) Land assemblies

Land assemblies are valued at the lower of cost and net realizable value. Items capitalized as the cost of land assemblies include land acquisition costs, development costs, interest and other related carrying charges.

Land assembly sales are recognized as earned. A portion of the sales revenue is deferred to cover future anticipated costs relative to the land sold. The percentage of revenue deferred is equal to the percentage of cost to complete on a project by project basis.

(d) Rental properties

Rental properties are valued at the lower of cost less accumulated amortization and net recoverable amount. Items capitalized as the cost of a project include land acquisition costs, development and construction costs, interest and other related carrying charges. In instances where properties have been transferred from Government departments, costs have been recorded at $1. Amortization is calculated using the methods described below based on the expected useful lives of all assets as follows:

1. Summary of significant accounting policies (cont.)

(d) Rental properties (cont.)

Non-profit housing	
- Capital costs	Sinking fund, 25-50 years
- Renovation costs	Sinking fund, 15 years
Market housing	
- Capital costs	2% declining balance
Affordable Housing Trust	
- Capital costs	Straight line, 25 years

The Corporation depreciates the full capital cost of non-profit housing.

(e) Capital assets

All capital assets are capitalized at cost at the time of acquisition. Amortization is calculated using the methods described below based on the expected useful lives of all assets as follows:

Office buildings	2% declining balance
Furniture and office equipment	Straight line, 10 years
Maintenance tools and equipment	Straight line, 10 years
Computer hardware and software	Straight line, 4 years
Vehicles	Straight line, 5 years

(f) Severance pay

Severance pay is calculated based on years of service and current salary levels. Entitlement to severance pay vests with employees after nine years of continuous service. The amount is payable when employees cease employment with the Corporation unless an employee transfers to another entity in the public service, in which case the liability is transferred with that employee to the other entity.

(g) Revenue recognition

Interest income is accounted for on the accrual basis for all mortgages and loans other than the impaired portion of mortgages and loans. Recognition of interest in accordance with the terms of the original loan agreement ceases when a loan becomes impaired. A loan is classified as impaired when, in the opinion of management, there is reasonable doubt as to the ultimate collectability of a portion of principal or interest. The impaired portion of loans may revert to accrual status only when principal and interest payments have become fully current again, at which time any interest will be recognized in that fiscal year.

1. Summary of significant accounting policies (cont.)

(g) Revenue recognition (cont.)

Revenue received for a future period is deferred until that future period and is reflected as deferred revenue.

(h) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the year.

(i) Financial instruments

The Corporation's financial instruments consist of cash, accounts receivable, due from the Province of Newfoundland and Labrador - Labrador Housing Programs, mortgages and loans receivable, receivable from municipalities re: land transfers, accounts payable and accrued liabilities, group health and life insurance retirement benefits, and mortgages, debentures and similar indebtedness. These financial instruments are accounted for as follows:

Held-for-trading

The Corporation has designated cash as held-for-trading and is measured at fair value.

Loans and receivable

The Corporation has classified the following financial assets as loans and receivables: accounts receivable, due from the Province of Newfoundland and Labrador - Labrador Housing Programs, mortgages and loans receivable, and receivable from municipalities re: land transfers. These assets are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties. Gains and losses arising from changes in fair value are recognized in net income upon de-recognition or impairment. Given the short-term nature of accounts receivable, due from the Province of Newfoundland and Labrador - Labrador Housing Programs, and receivable from municipalities re: land transfers, their carrying values equate to their current fair value. The current fair value of mortgages and loans receivable is set out in Note 5.

1. Summary of significant accounting policies (cont.)

(i) Financial instruments (cont.)

Other financial liabilities

The Corporation has classified the following as other financial liabilities: accounts payable and accrued liabilities, group health and life insurance retirement benefits, and mortgages, debentures and similar indebtedness. These liabilities are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties.

Given the short-term nature of accounts payable and accrued liabilities, their carrying value equates to their current fair value. The carrying value of the Corporation's group health and life insurance retirement benefits is based on actuarial valuations adjusted over time for the effect of changes in assumptions and approximates its fair value. The current fair value of mortgages, debentures and similar indebtedness is set out in Note 14.

2. Accounts receivable

	2011 **(000's)**	2010 (000's)
CMHC	**$ 6,226**	$ 8,170
HST	**1,304**	1,210
Land assemblies	**38**	-
Rents	**118**	95
Other	**615**	831
	8,301	10,306
Less: allowance for doubtful accounts	**83**	75
	$ 8,218	$ 10,231

3. Due from the Province of Newfoundland and Labrador - Labrador Housing Programs

In March 2000, the Province directed the Corporation to fund the renovation of existing dwellings and construction of new dwellings in Northern Coastal Labrador. In March 2002, the Province directed the Corporation to fund the construction of a personal care home in Mary's Harbour.

Under these initiatives, title to these dwellings is held by the homeowners with the Province repaying the renovation and construction costs over a 15 year period. As at 31 March 2011, the amount due from the Province was $1,241,000 (2010 - $2,291,000).

These projects are being amortized at $1,050,000 annually.

4. Inventory and prepaid expenses

	2011 (000's)	2010 (000's)
Inventory	$ 355	$ 355
Prepaid expenses	3,730	3,556
	$ 4,085	$ 3,911

5. Mortgages and loans receivable

	2011 (000's)	2010 (000's)
Provincial Home Repair Program	$ 5,871	$ 5,977
Residential Rehabilitation Assistance Program loans	1,761	2,704
Subsidized mortgages to homeowners	981	1,880
Other mortgages and loans	1,329	1,507
	9,942	12,068
Less: allowance for impaired mortgages and loans	1,364	1,566
	$ 8,578	$ 10,502

The allowance for impaired mortgages and loans relates primarily to the Residential Rehabilitation Assistance Program loans portfolio.

6. Receivable from municipalities re: land transfers

In September 1998, the Province directed the Corporation to enter into agreements with municipalities to transfer its banked and developed industrial and commercial land. The agreements will transfer these lands to the municipalities under a mortgage arrangement and provide for a share of future land sales revenue to the Corporation.

The receivable is valued at the lower of the carrying value of the land at the date of transfer and the Corporation's share of the net realizable value of the land as outlined in the agreements. The estimated net realizable value is determined using management's best estimates of future sales. Management recognizes that changes in future conditions, such as market demand, assumed in making these estimates are not predictable. Consequently, adjustments to the carrying value of the receivable from municipalities re: land transfers are possible depending on the impact of any changes and management's best estimate of them.

As of 31 March 2011, 21 agreements have been completed for the transfer of lands to municipalities at a carrying value of $1,264,000 (2010 - $1,448,000).

7. Land assemblies

	2011 (000's)	2010 (000's)
Land assemblies, beginning of year	**$ 1,322**	$ 7,321
Cost incurred during the year:		
Land acquisition and development	**66**	744
Interest, capitalized	**-**	158
	1,388	8,223
Less: cost of earned sales recognized during year	**66**	6,901
Land assemblies, end of year	**$ 1,322**	$ 1,322

In September 1998, the Province directed the Corporation to divest of the majority of its land holdings. Land assemblies are valued at the lower of cost and net realizable value. The estimated net realizable value is determined using management's best estimates of future sales and costs. Management recognizes that changes in future conditions, such as market demand, assumed in making these estimates, are not predictable. Consequently, material adjustments to the carrying value of the asset are possible depending upon the impact of any changes and management's best estimate of them.

8. Rental properties

	2011			2010
	Cost **(000's)**	**Accumulated Amortization** **(000's)**	**Net Book Value** **(000's)**	Net Book Value (000's)
Non-profit housing				
- Capital costs	**$ 256,905**	**$ 80,634**	**$ 176,271**	$ 181,449
- Renovation costs	**4,981**	**3,880**	**1,101**	1,601
- Construction costs	**10**	**-**	**10**	-
Market housing				
- Capital costs	**7,439**	**2,923**	**4,516**	4,646
Affordable Housing Trust				
- Construction costs	**-**	**-**	**-**	1,392
- Capital costs	**3,233**	**38**	**3,195**	942
- Other costs	**266**	**-**	**266**	11
Leased land	**126**	**-**	**126**	126
	$ 272,960	**$ 87,475**	**$ 185,485**	$ 190,167

9. Capital assets

	2011			2010
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
	(000's)	**(000's)**	**(000's)**	(000's)
Office buildings - capital cost	**$ 11,332**	**$ 2,768**	**$ 8,564**	$ 6,387
- construction	**-**	**-**	**-**	2,276
Furniture and office equipment	**335**	**143**	**192**	203
Maintenance tools and equipment	**133**	**15**	**118**	82
Computer hardware and software	**4,258**	**3,374**	**884**	1,266
Vehicles	**2,089**	**1,105**	**984**	1,024
	$ 18,147	**$ 7,405**	**$ 10,742**	$ 11,238

10. Deferred revenue

	2011	2010
	(000's)	(000's)
CMHC Affordable Housing Program	**$ 10,718**	$ 9,193
CMHC Economic Stimulus Program	**9,634**	8,818
CMHC Social Housing Agreement	**578**	498
CMHC Provincial Home Repair Program	**389**	360
Sub-total Deferred Revenue CMHC	**21,319**	18,869
Affordable Housing Trust	**3,981**	8,447
Land Sales	**334**	400
Rentals	**382**	402
Capital cost – office building	**-**	1,300
	$ 26,016	$ 29,418

Deferred revenue CMHC relates to the unearned balance of funds from CMHC under the Social Housing Agreement and the Affordable Housing, Economic Stimulus, and Provincial Home Repair Programs.

Deferred revenue Affordable Housing Trust (AHT) relates to the unearned balance of the AHT Federal Government funding.

10. Deferred revenue (cont.)

Deferred revenue land sales relates to future development costs to be funded from sales received to date.

Deferred revenue rentals consists of rental payments received by the Corporation in advance of the due dates.

Deferred revenue capital cost relates to a capital grant from the Province towards the construction of a new office/maintenance building.

11. Group health and life insurance retirement benefits

All retired employees of the Corporation are eligible to participate in the group insurance plans. Under the plans, the Corporation pays 50% of the total premium charged towards the benefits of both active employees and retirees for life insurance and health benefits. As at 31 March 2011, the health plan provided benefits to 179 retirees (2010 - 161) and the life insurance plan to 199 retirees (2010 - 183).

The actuarial extrapolation prepared by the Corporation's actuary was based on a number of assumptions about future events including an interest rate of 6%, health care cost trends, wage and salary increases, termination rates, plan participation rates, utilization rates and mortality. The assumptions used reflect the Corporation's best estimates of expected long-term rates and short-term forecasts.

Group health and life insurance retirement benefits liability

Details of the group health and life insurance retirement benefits liability are outlined in the table below:

	Estimated Accrued Benefit Obligation	**Unamortized Experience Gains (Losses)**	**Net Liability 2011**	Net Liability 2010	Change
	(000's)	**(000's)**	**(000's)**	(000's)	(000's)
Group health retirement benefits	**$ 17,073**	**$ (2,490)**	**$ 14,583**	$ 13,186	$ 1,397
Group life insurance retirement benefits	**1,631**	**48**	**1,679**	1,582	97
	$ 18,704	**$ (2,442)**	**$ 16,262**	$ 14,768	$ 1,494

There are no fund assets associated with these plans.

11. Group health and life insurance retirement benefits (cont.)

Group health and life insurance retirement benefits expense

In these financial statements group health and life insurance retirement benefits costs have been determined as the cost of benefits accrued during the period. Interest on the liability has been accrued for the same period.

The change in the liability for the current period is comprised of the following amounts:

	Corporation's Share of Current Period Costs	Interest Expense on the Liability	Corporation's Current Period Contributions	Current Period Amortization of Experience Changes	Change
	(000's)	(000's)	(000's)	(000's)	(000's)
Group health retirement benefits	$ 355	$ 964	$ (270)	$ 348	$ 1,397
Group life insurance retirement benefits	21	92	(11)	(5)	97
	$ 376	$ 1,056	$ (281)	$ 343	$ 1,494

Experience gains or losses

Experience gains or losses are amortized over the estimated average remaining service life of active participants. The amortization amount will be included with retirement costs in the financial statements commencing in the year subsequent to the year in which the experience gain or loss arose.

The unamortized experience loss at 31 March 2011 resulted from an increase in health premium rates charged by the insurance provider.

12. Capital replacement fund

In accordance with past program guidelines for partner managed projects, sponsor groups were required to set aside funds for the replacement of major capital items. The funds are held on behalf of the project sponsors and are released as eligible capital replacement expenditures are incurred. Since 2005, additional funds have not been set aside in the Capital replacement fund.

Transactions relating to the capital replacement fund during the year are as follows:

	2011	2010
	(000's)	(000's)
Balance, beginning of year	$ 6,267	$ 6,668
Capital replacement expenditures	(255)	(401)
Balance, end of year	$ 6,012	$ 6,267

13. Mortgage insurance fund

Upon signing the Canada - Newfoundland Social Housing Agreement, the Corporation assumed liability for all losses and costs that may be incurred in respect of a portfolio of loans that are owned and were previously insured by Canada Mortgage and Housing Corporation (CMHC). In return, CMHC provided the Corporation with a $3,000,000 mortgage insurance fund as protection against future losses. Losses on loans are deducted from the fund, while interest earnings were added to the fund until 1 April 2003. The Corporation ceased accruing interest as of 1 April 2003.

	2011 **(000's)**	2010 (000's)
Balance, beginning of year	**$ 3,252**	$ 3,252
Gains (losses) for the year	**-**	-
Balance, end of year	**$ 3,252**	$ 3,252

The fund covers a portfolio of Federal loans totalling $127,191,894. The majority of these loans relate to either Social Housing projects that receive significant Federal/Provincial annual operating subsidies or nursing home accommodations with Provincial Government guarantees. While an independent actuarial valuation of the fund has not been carried out, the fund is considered adequate by the Corporation's management.

14. Mortgages, debentures and similar indebtedness

	2011 **(000's)**	2010 (000's)
With fixed terms of repayment		
CMHC fixed rate term debentures, at an interest rate of 2.75% repayable in blended annual installments of $2,184,550, with final due dates ranging from December 2021 to January 2030	**$ 25,596**	$ 24,777

Principal repayments for the next five years on the $25,596,000 of debt with fixed terms of repayment are as follows:

	(000's)
2012	$ 1,497
2013	$ 1,538
2014	$ 1,581
2015	$ 1,625
2016	$ 1,672

15. CMHC investment in cost-shared programs

	2011 (000's)	2010 (000's)
Non-profit rental housing	**$ 84,427**	$ 85,769
Rural and native housing	**19,210**	23,236
Home repair assistance	**832**	1,565
	$ 104,469	$ 110,570

The principal and interest payments required to amortize CMHC's investment in non-profit rental housing and rural and native housing is funded entirely through the annual Federal grant paid by CMHC, pursuant to the Canada - Newfoundland Social Housing Agreement signed in April 1997.

Repayment of CMHC's investment in the home repair assistance programs has no fixed term and is dependant upon future repayments of principal and interest on mortgages and loans.

16. Contributed capital - Province of Newfoundland and Labrador

Contributed capital represents accumulated capital grants of $62,861,000 made to the Corporation by the Province. These grants were utilized by the Corporation to develop housing projects, land assemblies and related programs for the benefit of the residents of the Province.

17. Contingent liabilities

(a) Claims

A claim has been filed against the Corporation for $390,000 for an alleged breach of contract relating to the renovation of a Corporation-owned rental property. This claim has not progressed far enough to enable the formation of a definite opinion as to its outcome. Therefore, the likelihood and the amount of loss to the Corporation is not determinable at this time.

17. Contingent liabilities (cont.)

(b) Environmental issues

Possible environmental liabilities exist for the following:

(i) In 1996, the Corporation learned that possible environmental liabilities exist with respect to potential large quantities of fuel left in abandoned fuel storage facilities in the Stephenville area. The Corporation has removed some of the underground tanks and fuel lines and has undertaken some further study. To date, expenditures related to this work have totalled $2,600,000. As well, based on the studies completed to date, further remediation is estimated to cost $10,000,000. The estimated cost does not contain provision for any inflation since the study was completed.

(ii) In 1998, the Corporation learned that possible environmental liabilities exist with respect to environmental contaminants including hydrocarbons and various heavy metals in the soil and groundwater on 20 hectares of the total 102 hectares in the Paradise area. Title to this site had been transferred to the Town of Paradise during 1998-99 as part of the Corporation's land divestiture program; however, the Corporation will be liable for any costs that must be incurred to clean up the site. Information received from a study completed in January 2000 indicates that the estimated costs of undertaking site remediation based on the information to date is in the order of $6,000,000. The estimated cost does not contain provision for any inflation since the study was completed.

(iii) In 1999, the Corporation learned of possible environmental liabilities relating to 17 underground fuel tanks in its St. John's properties located at Buckmaster's Circle. As a result of an environmental study conducted in 2000, the cost of environmental remediation related to this property is estimated at $1,000,000. To date, expenditures related to this work have totalled $317,000. All 17 tanks have been removed and remediation has been completed on seven of the 17 sites. The estimated cost does not contain provision for any inflation since the study was completed.

(iv) In 2005, the Corporation learned of possible environmental liabilities relating to underground fuel tanks in its St. John's properties located on Cashin Avenue, Froude Avenue, Empire Avenue and Hoyles Avenue. The cost of environmental remediation is estimated at $1,400,000. It is currently estimated that there are 21 underground fuel tanks at these properties. To date, expenditures related to this work have totalled approximately $276,000. Removal and remediation has been completed on nine of the 21 estimated sites.

(v) In 2009, the Corporation learned of possible environmental liabilities relating to seven underground fuel tanks in its St. John's properties located at Pleasantville. The cost of environmental remediation is estimated at $700,000.

17. Contingent liabilities (cont.)

(vi) In 2009, the Corporation learned of possible environmental liabilities relating to electrical transformers containing polychlorinated biphenyls (PCBs) located around its St. John's properties at Chalker Place. The cost of environmental remediation is estimated at $200,000. To date, expenditures related to this work have totalled approximately $33,000. Removal has been completed on two transformers.

(vii) In 2010, the Corporation learned of possible environmental liabilities relating to 43 fuel tanks at its St. John's properties in the Guy Street-Whiteway Street area. The cost of environmental remediation is estimated at $1,290,000. To date, expenditures related to this work have totalled approximately $90,000.

(viii) In 2011, the Corporation learned of possible environmental liabilities relating to fuel tanks at its St. John's properties in the Druggett Place area, Corner Brook properties in the Vine Place area, Hopedale properties in the Carpenters Loop area, and Nain properties in the Main Street area. The cost of environmental remediation is estimated at $100,000. To date, expenditures related to this work have totalled approximately $25,000.

The Corporation's ability to remediate these sites is dependent upon funding from the Province of Newfoundland and Labrador.

18. Commitments

The Corporation has commitments totalling $44,344,398 comprised of:

(i) Uncompleted purchase and construction contracts at year end of $12,828,676
(ii) Commitments under lending programs of $25,400,952
(iii) Commitments under grant programs of $6,114,770

19. Financial instrument risks

The Corporation, through its financial assets and liabilities, is exposed to various risks. The following analysis provides a measurement of those risks at 31 March 2011:

(a) Credit risk

Credit risk is the risk that the Corporation will incur a loss due to the failure by its debtors to meet their contractual obligations. Financial instruments that potentially subject the Corporation to credit risk consist of cash, accounts receivable, mortgages and loans receivable, and receivable from municipalities re: land transfers. Any estimated impairment of mortgages and loans receivable is provided for through an allowance for impaired accounts and no further credit risk exists for these long-term receivables.

19. Financial instrument risks (cont.)

(b) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Corporation is not materially exposed to foreign exchange risk as all financial instruments are denominated in Canadian dollars and there was an immaterial amount of foreign currency-denominated accounts payable transactions during the year.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation does not use derivative instruments to reduce its exposure to interest rate risk. Interest rates on the majority of mortgages and loans receivable and mortgages, debentures and similar indebtedness are fixed to maturity.

(d) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its obligations as they fall due. The Corporation maintains adequate levels of working capital to ensure all its obligations can be met when they fall due.

20. Revenue from CMHC

CMHC's share of program subsidies and administration costs are as follows:

	2011 **(000's)**	2010 (000's)
1997 Canada-Newfoundland Social Housing Agreement	**$ 48,179**	$ 49,317
Affordable Housing Program	**7,818**	1,855
Provincial Home Repair Program	**4,071**	3,826
Residential Rehabilitation Assistance Program	**(37)**	(24)
Mortgages	**6**	7
Community Based Housing Stimulus Renovations	**2,564**	1,720
Public Rental Housing Stimulus Renovations	**5,654**	3,351
	$ 68,255	$ 60,052

21. Administrative expenses

	2011 (000's)	2010 (000's)
Advertising and promotion	$ **215**	$ 222
Computer system costs	**1,526**	1,825
General	**721**	765
Office equipment	**88**	120
Office supplies	**207**	214
Rent, heat, light, cleaning and maintenance	**1,271**	1,173
Salaries and employee benefits	**17,934**	16,686
Telephone and postage	**435**	455
Travel and vehicle expenses	**578**	591
	$ 22,975	$ 22,051

22. Rental properties expenses

	2011 (000's)	2010 (000's)
Amortization	$ **6,998**	$ 6,874
Bad debts	**83**	78
Heat, light and operating	**10,418**	10,016
Interest on debt	**16,083**	16,540
Municipal taxes	**6,072**	5,674
Repairs and maintenance	**31,619**	26,510
	$ 71,273	$ 65,692

23. Pensions

Under the *Housing Corporation Act*, Corporation staff are subject to the *Public Service Pensions Act*. Employee contributions are matched by the Corporation and remitted to the Province of Newfoundland and Labrador Pooled Pension Fund from which pensions will be paid to employees when they retire. The Corporation's share of pension contributions for 2011 was $1,359,675 (2010 - $1,288,774).

24. Self-insurance

With the exception of certain high-risk projects, the Corporation follows the policy of self-insuring its rental properties for property damage such as fire, water and vandalism. The costs of these repairs are charged to rental properties expenses.

25. Province of Newfoundland and Labrador contribution

The Province of Newfoundland and Labrador contributed approximately 40% (2010 - 37%) of the Corporation's total revenues. The contribution enables the Corporation to carry out its overall mandate and to meet its fiscal challenges.

The Corporation's ability to continue to fulfill its mandate is dependent upon the decisions of the Province of Newfoundland and Labrador.

26. Income taxes

The Corporation is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION

FINANCIAL STATEMENTS

31 MARCH 2012

Management's Report

Management's Responsibility for the Newfoundland and Labrador Housing Corporation Financial Statements

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that transactions are properly authorized, assets are safeguarded and liabilities are recognized.

Management is also responsible for ensuring that transactions comply with relevant policies and authorities and are properly recorded to produce timely and reliable financial information.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Board. The Board reviews internal financial information on a quarterly basis and external audited financial statements yearly.

The Auditor General conducts an independent audit of the annual financial statements of the Corporation, in accordance with Canadian generally accepted auditing standards, in order to express an opinion thereon. The Auditor General has full and free access to financial management of the Newfoundland and Labrador Housing Corporation.

On behalf of the Newfoundland and Labrador Housing Corporation.

Len Simms

Mr. Len Simms
Chairman and Chief Executive Officer

Mr. Thomas F. Lawrence, CMA, FCMA
Chief Financial Officer

1 October 2012

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

To the Chairperson and Members
Newfoundland and Labrador Housing Corporation
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Newfoundland and Labrador Housing Corporation which comprise the statement of financial position as at 31 March 2012, the statements of operations and accumulated surplus, change in net debt and cash flows for the year ended 31 March 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Auditor's Report (cont.)

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Newfoundland and Labrador Housing Corporation as at 31 March 2012 and its financial performance and its cash flows for the year ended 31 March 2012 in accordance with Canadian public sector accounting standards.

Comparative information

Without modifying my opinion, I draw attention to Note 2 to the financial statements which describes that the Newfoundland and Labrador Housing Corporation adopted Canadian public sector accounting standards commencing with the 2012 fiscal year, with a transition date of 1 April 2010. These standards were applied retroactively by management to the comparative information in these financial statements including the statement of financial position as at 31 March 2011 and 1 April 2010 and the statements of operations and accumulated surplus, change in net debt, and cash flows for the year ended 31 March 2011 and other explanatory information. The restated comparative information is unaudited.

TERRY PADDON, CA
Auditor General

1 October 2012
St. John's, Newfoundland and Labrador

NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION
STATEMENT OF FINANCIAL POSITION
As at

	31 March 2012	31 March 2011	1 April 2010
	(000's)	(000's) (Note 2) (Note 29) (Unaudited)	(000's) (Note 2) (Note 29) (Unaudited)
FINANCIAL ASSETS			
Cash	**$ 60,288**	$ 64,772	$ 54,910
Accounts receivable (Note 6)	**1,577**	1,501	1,017
Land held for sale (Note 7)	**534**	1,322	1,322
Due from government and other government organizations (Note 8)	**4,951**	7,957	11,505
Loans receivable (Note 9)	**7,335**	8,578	10,502
Receivables from municipalities - land transfers (Note 10)	**1,150**	1,264	1,448
	75,835	85,394	80,704
LIABILITIES			
Accounts payable and accrued liabilities (Note 11)	**11,240**	10,689	9,697
Employee future benefits (Note 12)	**22,974**	21,382	20,060
Due to government and other government organizations (Note 13)	**837**	1,739	1,125
Deferred revenue (Note 14)	**13,564**	20,741	19,671
Long-term debt (Note 15)	**122,238**	129,025	134,202
	170,853	183,576	184,755
Net debt	**(95,018)**	(98,182)	(104,051)
NON-FINANCIAL ASSETS			
Tangible capital assets (Note 16)	**135,591**	140,207	141,854
Inventories held for use	**382**	354	355
Prepaid expenses (Note 17)	**3,739**	3,730	3,556
	139,712	144,291	145,765
Accumulated surplus (Note 19)	**$ 44,694**	$ 46,109	$ 41,714

Contingent liabilities (Note 18)
Contractual obligations (Note 20)
Trust under administration (Note 23)

Signed on behalf of the Corporation: Len Simms — **Chairperson** Gerald Kennedy — **Member**

The accompanying notes are an integral part of these financial statements.

NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
For the Year Ended 31 March

	2012 Budget	2012 Actual	2011 Actual
	(000's) **(Note 27)**	**(000's)**	(000's) (Note 2) (Note 29) (Unaudited)
REVENUES (Note 21)			
Province of Newfoundland and Labrador operating grant	**$ 52,439**	**$ 52,827**	$ 57,795
CMHC revenue	**53,306**	**60,719**	68,336
Other government sources	**225**	**332**	1,576
Rent	**19,228**	**20,337**	19,659
Interest	**526**	**1,218**	1,365
Land sales	-	**205**	102
Profit from land sales by municipalities	**200**	**537**	674
Gain on sale of tangible capital assets	-	**2**	-
Other	**36**	**456**	598
	125,960	**136,633**	150,105
EXPENSES (Note 21)			
Rental operations	**61,119**	**68,042**	65,963
Partner managed housing	**11,085**	**11,908**	13,805
Affordable housing investments	**23,117**	**23,532**	34,010
Rent supplement	**7,355**	**7,391**	6,490
Land development	-	**1,322**	66
Administration	**23,092**	**25,853**	25,376
	125,768	**138,048**	145,710
Annual surplus (deficit)	192	(1,415)	4,395
Accumulated surplus, beginning of year	46,109	46,109	41,714
Accumulated surplus, end of year	$ 46,301	$ 44,694	$ 46,109

The accompanying notes are an integral part of these financial statements.

NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION
STATEMENT OF CHANGE IN NET DEBT
For the Year Ended 31 March

	2012 Budget	2012 Actual	2011 Actual
	(000's) **(Note 27)**	**(000's)**	(000's) (Note 2) (Note 29) (Unaudited)
Annual surplus (deficit)	$ **192**	$ **(1,415)**	$ 4,395
Changes in tangible capital assets (Note 16)			
Acquisition of tangible capital assets	(7,311)	**(2,142)**	(5,026)
Net book value of tangible capital asset disposals and write-downs	-	**405**	72
Amortization of tangible capital assets	-	**6,353**	6,601
	(7,311)	**4,616**	1,647
Changes in other non-financial assets			
Net (acquisition) use of inventories held for use	-	**(28)**	1
Net acquisition of prepaid expenses	-	**(9)**	(174)
	-	**(37)**	(173)
(Increase) decrease in net debt	(7,119)	**3,164**	5,869
Net debt, beginning of year	(98,182)	**(98,182)**	(104,051)
Net debt, end of year	$ (105,301)	$ **(95,018)**	$ (98,182)

The accompanying notes are an integral part of these financial statements.

NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION

STATEMENT OF CASH FLOWS

For the Year Ended 31 March	2012	2011
	(000's)	(000's) (Note 2) (Note 29) (Unaudited)
Operating transactions		
Annual (deficit) surplus	$ (1,415)	$ 4,395
Adjustment for non-cash items and change in non-cash operatings items:		
Contribution of tangible capital assets	-	(1,199)
Mortgage subsidies and losses on mortgages, loans and repossessions	22	1,364
Amortization of tangible capital assets	6,353	6,601
Write-down of tangible capital assets	76	-
(Gains)/losses on sale of tangible capital assets	(2)	7
Write-down of land for sale	1,322	-
Employee future benefits	1,592	1,322
Deferred revenue	(7,177)	1,070
Forgivable loans	7,924	18,717
Other (Note 24)	2,542	4,497
Cash provided by operating transactions	11,237	36,774
Capital transactions		
Proceeds on sale of tangible capital assets	331	65
Cash used to acquire tangible capital assets	(2,142)	(3,827)
Cash applied to capital transactions	(1,811)	(3,762)
Investing transactions		
Decrease in receivable from municipalities - land transfers	114	184
Increase in land for sale	(534)	-
Repayment of loans and advances	3,227	2,566
Forgivable loans	(7,924)	(18,717)
Loans and advances	(2,006)	(2,006)
Cash applied to investing transactions	(7,123)	(17,973)
Financing transactions		
Debt assumed	-	2,062
Debt retirement	(6,787)	(7,239)
Cash applied to financing transactions	(6,787)	(5,177)
(Decrease) increase in cash	(4,484)	9,862
Cash, beginning of year	64,772	54,910
Cash, end of year	$ 60,288	$ 64,772

The accompanying notes are an integral part of these financial statements.

1. Nature of operations

The Newfoundland and Labrador Housing Corporation (the Corporation) operates under the authority of the *Housing Corporation Act*. The purpose of the Corporation is to provide cost-effective housing and related programs for the benefit of the residents of the Province with priority given to those most in need. Its affairs are governed by a Board of Directors appointed by the Lieutenant-Governor in Council.

The Corporation is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

2. Conversion to Public Sector Accounting Standards

Commencing with the 2012 fiscal year, the Corporation has adopted Canadian public sector accounting (CPSA) standards. These financial statements are the first financial statements for which the Corporation has applied CPSA standards. The changeover became effective on 1 April 2011 with retroactive application to 1 April 2010.

In accordance with Section PS 2125, *First-Time Adoption by Government Organizations*, the Corporation has prepared a reconciliation to enable readers to understand the effects of the changeover on its financial position at the transition date 1 April 2010. The following table presents the reconciliation of the statement of financial position from the previous reporting framework, Canadian generally accepted accounting principles (CGAAP) to the current method of presentation as at the transition date. The impact of the conversion to CPSA standards on the accumulated surplus at the date of transition and the comparative annual surplus is presented in Note 19.

2. Conversion to Public Sector Accounting Standards (cont.)

	Note	CGAAP 1 April 2010	Adjustments	CPSA 1 April 2010
		(000's)	(000's)	(000's) (Unaudited)
Financial assets				
Cash	(a)	$ 61,177	$ (6,267)	$ 54,910
Accounts receivable	(d)	10,231	(9,214)	1,017
Land held for sale		1,322	-	1,322
Due from government and other other government organizations	(d)	-	11,505	11,505
Loans receivable		10,502	-	10,502
Receivable from municipalities - land transfers		1,448	-	1,448
Due from Province of Newfoundland and Labrador - Labrador Housing Programs	(d)	2,291	(2,291)	-
		86,971	(6,267)	80,704
Liabilities				
Accounts payable and accrued liabilities	(d)	14,594	(4,897)	9,697
Employee future benefits	(b)(d)	14,768	5,292	20,060
Due to government and other government organizations	(d)	-	1,125	1,125
Deferred revenue from CMHC	(c)(d)	29,418	(9,747)	19,671
Capital replacement fund	(a)	6,267	(6,267)	-
Mortgage insurance fund	(c)	3,252	(3,252)	-
Long-term debt	(d)	24,777	109,425	134,202
CMHC investment	(c)(d)	110,570	(110,570)	-
		203,646	(18,891)	184,755
Net debt		(116,675)	12,624	(104,051)
Non-financial assets				
Tangible capital assets	(e)(f)	201,405	(59,551)	141,854
Inventories held for use	(d)	355	-	355
Prepaid expenses	(d)	3,556	-	3,556
		205,316	(59,551)	145,765
Accumulated surplus		$ 88,641	$ (46,927)	$ 41,714

2. Conversion to Public Sector Accounting Standards (cont.)

(a) Under CPSA standards, amounts held in trust on behalf of external parties are not considered available for the use or benefit of the Corporation. In accordance with CPSA standards, amounts held in trust are not to be included on the Corporation's statement of financial position. CPSA standards require the Corporation to disclose funds held in trust. See Note 23 for disclosure of trust held by the Corporation.

(b) Under CPSA standards, a liability and an expense are recognized for post-employment benefits and compensated absences that vest or accumulate in the period in which employees render services. As a result, a liability was actuarially determined for severance pay and non-vesting sick leave benefits at the date of transition and an adjustment to increase the employee future benefits liability by $718,000 was made to retroactively apply the standard.

(c) Under CGAAP, government grants received by the Corporation pertaining to the CMHC Social Housing Agreement and the Province of Newfoundland and Labrador operating grant – Affordable Housing Trust were deferred in the statement of financial position and recognized through the statement of operations and accumulated surplus in the period in which related expenditures were incurred. As described in Note 4, the Corporation elected to early adopt Section PS 3410 Revised, *Government Transfers*, of the CPSA standards. Under this CPSA standard, government grants are recognized as revenue when authorized and any eligibility criteria have been met, except when and to the extent that the transfer gives rise to an obligation that meets the definition of a liability for the Corporation. As a result, the balance of deferred revenue at the date of transition was reviewed and it was determined that $8,945,000 should be recognized as revenue in accordance with the definition under CPSA standards. Accordingly, an adjustment was made to retroactively apply the standard.

Also, under CGAAP, a capital grant received from CMHC was deferred in the statement of financial position. An adjustment has been made to recognize the balance of the deferred capital grant at the date of transition of $1,145,000 as revenue to retroactively apply the standard.

Under CGAAP, the mortgage insurance fund was deferred in the statement of financial position and recognized through the statement of operations in the period in which associated losses and costs were incurred. An adjustment has been made to recognize the balance of the mortgage insurance fund of $3,252,000 as revenue to retroactively apply the standard.

(d) Certain comparative figures have been reclassified to conform to the financial statement classifications adopted in 2012.

(e) The Corporation has adopted new accounting policies pertaining to tangible capital assets as described in Note 4.

(f) Certain comparative figures have been restated to correct understatements as explained in Note 29.

3. Summary of significant accounting policies

(a) Basis of accounting

These financial statements are prepared by management in accordance with CPSA standards for provincial reporting entities as established by the Canadian Public Sector Accounting Board (PSAB).

(b) Land held for sale

Land held for sale is recorded at the lower of cost and net realizable value.

(c) Loans receivable

Loans receivable are recorded at cost less any amount for valuation allowance. Valuation allowances are made when collection is in doubt and is estimated based on the value of accounts referred to a collection agency and the accounts with reported arrears balances.

(d) Employee future benefits

The cost of retirement life insurance and health care benefits, severance pay, and non-vesting sick leave benefits are actuarially determined using management's best estimate of long-term inflation rate, compensation increase, discount rate and accumulated days at retirement.

(e) Tangible capital assets

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset.

The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a straight-line basis over their estimated useful lives as follows:

Rental properties	40 years
Office buildings	40 years
Furniture and office equipment	10 years
Maintenance tools and equipment	10 years
Computer hardware and software	4 years
Vehicles	5 years

3. Summary of significant accounting policies (cont.)

(e) Tangible capital assets (cont.)

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Corporation's ability to meet its mandate, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the statement of operations and accumulated surplus.

Contributed capital assets are recorded into revenues at their fair market value on the date of donation, except in circumstances where fair value cannot be reasonably determined, which are then recognized at nominal value. Transfers of capital assets from related parties are recorded at carrying value.

(f) Inventories held for use

Inventories held for use include rental property parts and supplies and are recorded at the lower of historical cost and replacement cost.

(g) Prepaid expenses

Prepaid expenses include property taxes, subsidies, insurance, licenses and rent and are charged to expenses over the periods expected to benefit from it.

(h) Revenues

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Government transfers are recognized as revenues in the period the transfer is authorized and all eligibility criteria have been met, except when and to the extent that the transfer gives rise to an obligation that meets the definition of a liability for the Corporation.

Interest income is accounted for on the accrual basis for all loans, other than the impaired portion of loans. Recognition of interest in accordance with the terms of the original loan agreement ceases when a loan becomes impaired.

(i) Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is expensed.

3. Summary of significant accounting policies (cont.)

(j) Measurement uncertainty

The preparation of financial statements, in conformity with CPSA standards, requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of the revenues and expenses during the period. Items requiring the use of significant estimates include the useful life of capital assets, recoverable value of land held for sale, estimated employee future benefits and impairment of assets.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

4. Changes in accounting policies

The Corporation has adopted the following new accounting policies:

(a) Section PS 3410 Revised, *Government Transfers*

Section PS 3410, *Government Transfers*, was amended by the PSAB in December 2010. The main changes pertain to recognition criteria for government transfers, affecting how the Corporation accounts for such transfers. These amendments are effective for fiscal years beginning on or after 1 April 2012 and earlier adoption is encouraged.

The Corporation elected to early adopt the section for the year ended 31 March 2012. The impact on deferred revenue at the date of transition is as described in Note 2(c). The impact of the change on the 31 March 2011 statement of operations and accumulated surplus is a decrease in the Province of Newfoundland and Labrador operating grant revenue of $4,467,000 and an increase in CMHC revenue of $81,000. The impact of the change on the 31 March 2012 statement of operations and accumulated surplus is a decrease in the Province of Newfoundland and Labrador operating grant revenue of $1,232,000 and a decrease in CMHC revenue of $111,000.

4. Changes in accounting policies (cont.)

(b) Tangible capital assets

Prior to 1 April 2011, buildings and rental properties were recorded at net book value which included the cost of land. Amortization of buildings and rental properties was calculated using the following methods:

Buildings	Declining balance, 2%
Non-profit rental properties	Sinking fund, 25-50 years
Non-profit rental property renovation costs	Sinking fund, 15 years
Market housing rental properties	Declining balance, 2%
Affordable Housing Trust rental properties	Straight line, 25 years

The Corporation has estimated the portion of net book value assigned to land and changed the basis of amortization to straight line, 40 years, for all buildings and rental properties. The Corporation also increased its threshold for capitalization of furniture and office equipment, computer hardware and software, and maintenance tools and equipment from $2,000 to $10,000. These changes in accounting policies are applied retroactively to 1 April 2010. The impact of the change on the statement of financial position as at 31 March 2011 is a decrease in tangible capital assets and a decrease in accumulated surplus beginning of year of $66,397,000 (1 April 2010 - $68,626,000). The impact of the change on the statement of operations and accumulated surplus for the year ended 31 March 2011 is an increase to annual surplus for the year of $2,229,000. The impact of the change on the 31 March 2012 statement of financial position and statement of operations and accumulated surplus is not readily determinable.

5. Accounting pronouncements

In March 2011, the PSAB approved new Section PS 3450, *Financial Instruments*, Section PS 2601, *Foreign Currency Translation*, to replace current Section PS 2600, *Foreign Currency Translation* and Section PS 1201, *Financial Statement Presentation*, to replace current Section PS 1200, *Financial Statement Presentation*. The three sections are effective for fiscal years beginning on or after 1 April 2012 for government organizations but earlier adoption is permitted. Government organizations are required to adopt the three sections in the same year. The Corporation is still evaluating the impact of adopting these new sections in the coming year but the impact is not expected to be material.

6. Accounts receivable

	2012 **(000's)**	2011 (000's) (Unaudited)
Harmonized sales tax receivable	**$ 1,056**	$ 1,304
Rents	**216**	118
Other	**436**	162
	1,708	1,584
Less: provision for doubtful accounts	**(131)**	(83)
	$ 1,577	$ 1,501

7. Land held for sale

	2012 (000's)	2011 (000's) (Unaudited)
Land held for sale, beginning of year	$ 1,322	$ 1,322
Cost incurred during the year:		
Impairment recognized during year	(1,322)	-
Land development	534	66
	534	1,388
Less: cost of earned sales recognized during year	-	(66)
	$ 534	$ 1,322

In September 1998, the Province directed the Corporation to divest of the majority of its land holdings. Land held for sale is valued at the lower of cost and net realizable value. The estimated net realizable value is determined using management's best estimates of future sales and costs. Management recognizes that changes in future conditions, such as market demand, assumed in making these estimates, are not predictable. Consequently, material adjustments to the carrying value of the asset are possible depending upon the impact of any changes and management's best estimate of them.

8. Due from government and other government organizations

	2012 (000's)	2011 (000's) (Unaudited)
CMHC	$ 4,089	$ 6,201
Provincial government	596	1,378
Municipalities	266	378
	$ 4,951	$ 7,957

9. Loans receivable

	2012 (000's)	2011 (000's) (Unaudited)
Forgivable loans bearing no interest.	$ 71,212	$ 63,288
Promissory notes bearing fixed interest rates ranging from 0% to 12.75%, repayable in blended monthly principal and interest payments with due dates ranging from April 2012 to April 2041. These notes are unsecured and can be retired prior to maturity.	6,933	7,471
Mortgages bearing fixed interest rates ranging from 0% to 10.875%, repayable in blended monthly principal and interest payments with due dates ranging from April 2012 to November 2022. These mortgages are secured and can be retired prior to maturity.	1,788	2,471
Less: provision for forgivable loans	(71,212)	(63,288)
Less: provision for doubtful accounts	(1,386)	(1,364)
	$ 7,335	$ 8,578

10. Receivable from municipalities - land transfers

In September 1998, the Province directed the Corporation to enter into agreements with municipalities to transfer its banked and developed industrial and commercial land. The agreements will transfer these lands to the municipalities under a mortgage arrangement and provide for a share of future land sales revenue to the Corporation.

The receivable is valued at the lower of the carrying value of the land at the date of transfer and the Corporation's share of the net realizable value of the land as outlined in the agreements. The estimated net realizable value is determined using management's best estimates of future sales. Management recognizes that changes in future conditions, such as market demand, assumed in making these estimates are not predictable. Consequently, adjustments to the carrying value of the receivable from municipalities re: land transfers are possible depending on the impact of any changes and management's best estimate of them.

For the year ended 31 March 2012, 21 agreements were in place for the transfer of land to municipalities at a carrying value of $1,150,000 (2011 unaudited - $1,264,000).

11. Accounts payable and accrued liabilities

	2012 (000's)	2011 (000's) (Unaudited)
Trade accounts payable	**$ 7,185**	$ 7,744
Salaries and benefits payable	**605**	459
Accrued leave	**1,883**	1,711
Accrued interest payable	**1,069**	59
Other	**498**	716
	$ 11,240	$ 10,689

12. Employee future benefits

Information about obligations for retirement benefits and other employee future benefits is as follows:

(a) Pension Plan

The Corporation and its employees contribute to the Public Service Pension Plan in accordance with the *Public Service Pensions Act, 1991*. The Government of Newfoundland and Labrador administers the Public Service Pension Plan, including payment of pension benefits to employees to whom the *Act* applies. The Public Service Pension Plan is a multi-employer, defined benefit plan.

The plan provides a pension to employees based on their length of service and rates of pay. The maximum contribution rate for eligible employees was 8.6% (2011 – 8.6%). The Corporation's contributions equal the employees' contributions to the plan. The Corporation is not required to make contributions in respect of any actuarial deficiencies of the plan. The pension expense for the Corporation for the year ended 31 March 2012 was $1,393,199 (2011 unaudited - $1,359,675).

12. Employee future benefits (cont.)

(b) Retirement and other employee future benefit liabilities

	2012				2011
	Retirement life insurance and health care benefits (000's)	**Severance pay** (000's)	**Non-vesting sick leave benefits** (000's)	**Total Employee Benefits** (000's)	Total Employee Benefits (000's) (Unaudited)
Accrued employee future benefit obligations, end of year	$ 22,655	$ 3,972	$ 1,126	$ 27,753	$ 23,810
Unamortized actuarial (loss) gain, end of year	(4,753)	34	(60)	(4,779)	(2,428)
Employee future benefits liability, end of year	$ 17,902	$ 4,006	$ 1,066	$ 22,974	$ 21,382

(c) Retirement and other employee future benefit expenses

	2012				2011
	Retirement life insurance and health care benefits (000's)	**Severance pay** (000's)	**Non-vesting sick leave benefits** (000's)	**Total Employee Benefits** (000's)	Total Employee Benefits (000's) (Unaudited)
Current year benefit cost, net of employer contributions and benefit payments	$ 170	$ (247)	$ (48)	$ (125)	$ (331)
Interest on accrued benefit obligation	1,127	195	54	1,376	1,310
Recognized actuarial losses (gains)	343	(5)	3	341	343
Employee future benefit expenses	$ 1,640	$ (57)	$ 9	$ 1,592	$ 1,322

12. Employee future benefits (cont.)

(d) Retirement and other employee future benefits

i. Retirement life insurance and health care benefits

All retired employees of the Corporation are eligible to participate in the group insurance plans. Under the plans, the Corporation pays 50% of the total premium charged towards the benefits of both active employees and retirees for life insurance and health care benefits. The Corporation pays 100% of retirees' life insurance premiums after age 65. For the year ended 31 March 2012, the health plan provided benefits to 167 retirees and the life insurance plan to 177 retirees.

ii. Severance pay

Severance pay is calculated based on years of service and current salary levels. Entitlement to severance pay vests with employees after nine years of continuous service. The amount is payable when employees cease employment with the Corporation unless an employee transfers to another entity in the public service, in which case the liability is transferred with that employee to the other entity. The Corporation's severance liability also includes a provision for employees with less than nine years of continuous service, based upon the Corporation's best estimate of the probability of having to pay severance to those employees. For the year ended 31 March 2012, a severance liability was calculated for 398 employees.

iii. Non-vesting sick leave benefits

All unionized employees hired before 4 May 2004 are credited with 2 days per month and all unionized employees hired thereafter are credited with 1 day per month for use as paid absences in the year due to illness. Employees are allowed to accumulate unused sick day credits each year, up to the allowable maximum provided in their respective employment agreement. Accumulated credits may be used in future years to the extent that the employee's illness exceeds the current year's allocation of credits. The use of accumulated sick days for sick leave compensation ceases on termination of employment. The benefit costs and liabilities related to the plan are included in the financial statements. For the year ended 31 March 2012, a sick leave liability was calculated for 354 employees.

iv. Actuarial valuation

The accrued benefit obligations for employee future benefit plans for the year ended 31 March 2012, are based on an actuarial valuation for accounting purposes for the year ended 31 March 2012.

12. Employee future benefits (cont.)

(d) Retirement and other employee future benefits (cont.)

iv. Actuarial valuation (cont.)

The actuarial valuation is based on assumptions about future events. The economic assumptions used in this valuation are the Corporation's best estimates of:

	2012 (000's)	2011 (000's) (Unaudited)
Long-term inflation rate	2.0%	2.5%
Compensation increase	4.0%	4.0%
Discount rate	5.0%	5.0%
Health care cost trend	7.5%	7.5%

Other assumptions used in the valuation include wage and salary increases, termination rates, plan participation rates, utilization rates and mortality rates.

v. Experience gains or losses

Experience gains or losses are amortized over the estimated average remaining service life of active participants. The amortization amount will be included with retirement costs in the financial statements commencing in the year subsequent to the year in which the experience gain or loss arose.

13. Due to government and other government organizations

	2012 (000's)	2011 (000's) (Unaudited)
CMHC	$ 154	$ 48
Provincial government	78	123
Provincial government business enterprises	24	2
Municipalities	581	1,566
	$ 837	$ 1,739

14. Deferred revenue

	Balance, beginning of year (000's) (Unaudited)	Billings/receipts during year (000's)	Transferred to revenue (000's)	Balance, end of year (000's)
CMHC Affordable Housing Program	$ 10,718	$ 2,883	$ (2,389)	$ 11,212
CMHC Economic Stimulus Program	9,634	-	(7,510)	2,124
CMHC Provincial Home Repair Program	389	4,100	(4,261)	228
	$ 20,741	$ 6,983	$ (14,160)	$ 13,564

Deferred revenue from Canada Mortgage and Housing Corporation (CMHC) relates to the unearned balance of funds from CMHC for programs as outlined under various federal-provincial agreements. The deferred revenue will be recognized as revenue when the related expenses are incurred. If the funds are not spent for the programs specified under the agreements, they will have to be repaid to CMHC. As of 31 March 2012, CMHC funding in the amount of $13,564,000 was received but not earned.

15. Long-term debt

Long-term debt reported on the statement of financial position is comprised of the following:

	2012 (000's)	2011 (000's) (Unaudited)
Long term debt obligation arising from the Canada-Newfoundland Social Housing Agreement of April 1997 payable to Canada Mortgage and Housing Corporation, bearing fixed interest rates ranging from 5.50% to 19.75%, repayable in blended monthly principal and interest payments of $1,443,904 with due dates ranging from April 2012 to December 2037. This debt is not secured and cannot be retired prior to maturity.	$ 97,690	$ 102,500
Canada Mortgage and Housing Corporation fixed rate term debentures, at variable interest rates of 1.67% to 2.75% repayable in blended monthly installments of $180,539, with final due dates ranging from December 2021 to January 2030. This debt is not secured and can be retired prior to maturity.	24,099	25,596
Long term debt obligation arising from the Canada-Newfoundland Global Agreement on Social Housing of February 1996, Canada-Newfoundland Operating Agreement of June 1986, and the Canada-Newfoundland Agreement on the Provincial Home Repair Program of January 1999 payable to Canada Mortgage and Housing Corporation, bearing fixed interest rates ranging from 0.00% to 12.75%, with final due dates ranging from April 2012 to September 2020. This debt is not secured and can be retired prior to maturity.	449	929
	$ 122,238	$ 129,025

Anticipated annual principal repayments over the next five years and thereafter are as follows:

	(000's)
2013	$ 6,375
2014	6,435
2015	6,519
2016	6,347
2017	5,497
2018 - 2038	91,065
	$ 122,238

Interest expense for the year on outstanding debt totalled $13,630,000 (2011 unaudited - $13,217,000) and is included in interest and bank charges in the segmented information by object (Note 21).

16. Tangible capital assets

31 March 2012

	Land (000's)	Rental properties (000's)	Office buildings (000's)	Furniture and office equipment (000's)	Maintenance tools and equipment (000's)	Computer hardware (000's)	Computer software (000's)	Vehicles (000's)	Total (000's)
Cost									
Opening balance	$ 54,746	$ 230,721	$ 9,058	$ 317	$ 86	$ 1,403	$ 2,591	$ 2,089	$ 301,011
Additions	48	1,544	-	21	-	93	237	199	2,142
Disposals	(80)	(641)	-	(48)	-	(598)	(1,470)	(68)	(2,905)
Write-downs	-	(153)	-	(4)	-	(4)	-	-	(161)
Closing balance	$ 54,714	$ 231,471	$ 9,058	$ 286	$ 86	$ 894	$ 1,358	$ 2,220	$ 300,087
Accumulated amortization									
Opening balance	-	152,821	3,382	142	13	1,064	2,277	1,105	160,804
Amortization	-	5,324	226	25	9	190	215	364	6,353
Disposals	-	(392)	-	(48)	-	(598)	(1,470)	(68)	(2,576)
Write-downs	-	(81)	-	(1)	-	(3)	-	-	(85)
Closing balance	$ -	$ 157,672	$ 3,608	$ 118	$ 22	$ 653	$ 1,022	$ 1,401	$ 164,496
Net book value	**$ 54,714**	**$ 73,799**	**$ 5,450**	**$ 168**	**$ 64**	**$ 241**	**$ 336**	**$ 819**	**$ 135,591**

16. Tangible capital assets (cont.)

31 March 2011
(Note 4)
(Note 29)
(Unaudited)

	Land	Rental properties	Office buildings	Furniture and office equipment	Maintenance tools and equipment	Computer hardware	Computer software	Vehicles	Total
	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)
Cost									
Opening balance	$ 53,995	$ 227,111	$ 8,982	$ 317	$ 86	$ 1,393	$ 2,525	$ 2,099	$ 296,508
Additions	780	3,783	76	-	-	10	66	311	5,026
Disposals	(29)	(173)	-	-	-	-	-	(321)	(523)
Closing balance	$ 54,746	$ 230,721	$ 9,058	$ 317	$ 86	$ 1,403	$ 2,591	$ 2,089	$ 301,011
Accumulated amortization									
Opening balance	-	147,653	3,156	114	4	831	1,821	1,075	154,654
Amortization	-	5,298	226	28	9	233	456	351	6,601
Disposals	-	(130)	-	-	-	-	-	(321)	(451)
Closing balance	$ -	$ 152,821	$ 3,382	$ 142	$ 13	$ 1,064	$ 2,277	$ 1,105	$ 160,804
Net book value	$ 54,746	$ 77,900	$ 5,676	$ 175	$ 73	$ 339	$ 314	$ 984	$ 140,207

16. Tangible capital assets (cont.)

Cost of rental properties at 31 March 2012 includes work in progress of $1,039,000 (2011 unaudited - $10,000). Additions to tangible capital assets include contributed tangible capital assets of $nil (2011 unaudited - $1,199,000).

17. Prepaid expenses

Prepaid expenses consist of:

	2012 (000's)	2011 (000's) (Unaudited)
Property taxes and other municipal fees	$ 2,741	$ 2,735
Rent supplement subsidies	512	438
Insurance costs	227	182
Workers' compensation fees	214	342
Software licenses	35	20
Rent	3	9
Other	7	4
	$ 3,739	$ 3,730

18. Contingent liabilities

(a) Guaranteed debt

The Corporation has provided loan guarantees pursuant to the Canada-Newfoundland Social Housing Agreement in respect of certain CMHC debt of partner managed housing operators. For the year ended 31 March 2012, the amount of the principal outstanding under this guarantee, and limit of the guarantee, was $89,648,000. There was no provision for losses during the year on the loan guarantees.

(b) Legal liabilities

A claim has been filed against the Corporation for $390,000 for an alleged breach of contract relating to the renovation of a Corporation-owned rental property. This claim has not progressed far enough to enable the formation of a definite opinion as to its outcome. Therefore, the likelihood and the amount of loss to the Corporation is not determinable at this time.

A number of smaller claims have been filed against the Corporation for alleged breach of contract, general damages and personal claims. These claims have not progressed far enough to enable the formation of a definite opinion as to their outcomes. Therefore, the likelihood and the amount of loss to the Corporation is not determinable at this time.

18. Contingent liabilities (cont.)

(c) Environmental issues

Possible environmental liabilities exist for the following:

i. In 1996, the Corporation learned that possible environmental liabilities exist with respect to potential large quantities of fuel left in abandoned fuel storage facilities in the Stephenville area. The Corporation has removed some of the underground tanks and fuel lines and has undertaken some further study. To date, expenditures related to this work have totalled $2,720,000. As well, based on the studies completed to date, further remediation is estimated to cost $10,000,000. The estimated cost does not contain provision for any inflation since the study was completed.

ii. In 1998, the Corporation learned that possible environmental liabilities exist with respect to environmental contaminants including hydrocarbons and various heavy metals in the soil and groundwater on 20 hectares of the total 102 hectares in the Paradise area. Title to this site had been transferred to the Town of Paradise during 1998-99 as part of the Corporation's land divestiture program; however, the Corporation will be liable for any costs that must be incurred to clean up the site. Information received from a study completed in January 2000 indicates that the estimated costs of undertaking site remediation based on the information to date is in the order of $6,000,000. The estimated cost does not contain provision for any inflation since the study was completed.

iii. In 1999, the Corporation learned of possible environmental liabilities relating to the 17 underground fuel tanks in its St. John's properties located at Buckmaster's Circle. As a result of an environmental study conducted in 2000, the cost of environment remediation related to this property is estimated at $1,000,000. To date, expenditures related to this work have totalled $319,000. All 17 tanks have been removed and remediation has been completed on seven of the 17 sites. The estimated cost does not contain the provision for any inflation since the study was completed.

iv. In 2005, the Corporation learned of possible environmental liabilities relating to underground fuel tanks in its St. John's properties located on Cashin Avenue, Froude Avenue, Empire Avenue and Hoyles Avenue. The cost of environmental remediation is estimated at $1,400,000. It is currently estimated that there are 21 underground fuel tanks at these properties. To date, expenditures related to this work have totalled approximately $316,000. Removal and remediation has been completed on nine of the estimated 21 sites.

v. In 2009, The Corporation learned of possible environmental liabilities relating to seven underground fuel tanks in its St. John's properties located at Pleasantville. The cost of environmental remediation is estimated at $700,000.

vi. In 2009, the Corporation learned of possible environmental liabilities relating to electrical transformers containing polychlorinated biphenyls (PCBs) located around its St. John's properties at Chalker Place. The cost of environmental remediation is estimated at $200,000. To date, the expenditures related to this work have totalled approximately $33,000. Removal has been completed on two transformers.

18. Contingent liabilities (cont.)

(c) Environmental issues (cont.)

vii. In 2010, the Corporation learned of possible environmental liabilities relating to 43 fuel tanks at its St. John's properties in the Guy Street-Whiteway Street area. The cost of environmental remediation is estimated at $1,290,000. To date, expenditures related to this work have totalled approximately $110,000.

viii. In 2011, the Corporation learned of possible environmental liabilities relating to fuel tanks at its St. John's properties in the Druggett Place area, Corner Brook properties in the Vine Place area, Hopedale properties in the Carpenters Loop area, and Nain properties in the Main Street area. The cost of environmental remediation is estimated at $100,000. To date, expenditures related to this work have totalled approximately $100,000.

The Corporation's ability to remediate these sites is dependent upon further funding from the Province of Newfoundland and Labrador.

19. Accumulated surplus

The accumulated surplus is made up as follows:

	2012 **(000's)**	2011 (000's) (Unaudited)
Accumulated surplus beginning of year as originally reported	**$ 31,052**	$ 25,780
Adjustments to accumulated surplus		
Deferred revenue (Note 2)	**8,956**	13,342
Employee future benefits (Note 2)	**(637)**	(718)
Contributed capital - Province of Newfoundland and Labrador	**62,861**	62,861
Tangible capital assets (Note 4)	**(66,397)**	(68,626)
Prior year tangible capital assets understatement (Note 29)	**10,274**	9,075
Accumulated surplus beginning of year as restated	**46,109**	41,714
Annual surplus for the year as originally reported	**(1,415)**	5,272
Adjustments to annual surplus for the year		
Deferred revenue (Notes 2 and 4)	-	(4,386)
Employee future benefits (Note 2)	-	81
Tangible capital assets (Note 4)	-	2,229
Prior year tangible capital assets understatement (Note 29)	-	1,199
Annual surplus for the year as restated	**(1,415)**	4,395
Accumulated surplus - end of year	**$ 44,694**	$ 46,109

20. Contractual obligations

	2012 (000's)	2011 (000's) (Unaudited)
Uncompleted purchase and construction contracts	$ 6,749	$ 12,829
Commitments under lending programs	22,765	25,401
Commitments under grant programs	2,178	6,115
	$ 31,692	$ 44,345

Contractual obligations are those to outside organizations in respect of contracts entered into on or before 31 March 2012. These contractual obligations will become liabilities when the terms of the contracts are met.

21. Segmented information by object

The Corporation reports its revenue and expenses by program area as outlined in its approved budget.

21. Segmented information by object (cont.)

	Rental operations		Partner managed housing		Affordable housing investments		Rent supplement		Land development		Administration		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	(000's)	(000's) (Unaudited)	(000's)	(000's) (Unaudited)	(000's)	(000's) (Unaudited)	(000's)	(000's) (Unaudited)	(000's)	(000's) (Unaudited)	(000's)	(000's) (Unaudited)	(000's)	(000's) (Unaudited)
Revenues														
Province of Newfoundland and Labrador operating grant	$ 355	$ 450	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 52,472	$ 57,345	$ 52,827	$ 57,795
CMHC revenue	-	-	-	-	14,173	20,077	-	-	-	-	46,546	48,259	60,719	68,336
Other government sources	252	1,576	-	-	80	-	-	-	-	-	-	-	332	1,576
Rent	20,337	19,659	-	-	-	-	-	-	-	-	-	-	20,337	19,659
Interest	-	-	-	-	-	-	-	-	-	-	1,218	1,365	1,218	1,365
Land sales	-	-	-	-	-	-	-	-	205	102	-	-	205	102
Profit from land sales by municipalities	-	-	-	-	-	-	-	-	537	674	-	-	537	674
Gain on sale of tangible capital assets	2	-	-	-	-	-	-	-	-	-	-	-	2	-
Other	-	-	-	-	342	632	-	-	-	-	114	(34)	456	598
	20,946	21,685	-	-	14,595	20,709	-	-	742	776	100,350	106,935	136,633	150,105
Expenses														
Rental property operating costs	32,711	33,034	-	-	-	-	-	-	-	-	-	-	32,711	33,034
Amortization	5,267	5,227	416	416	-	-	-	-	-	-	670	958	6,353	6,601
Grants and subsidies	9,046	7,699	10,873	12,686	23,133	33,615	7,391	6,490	-	-	789	1,050	51,232	61,540
Land costs	-	-	-	-	-	-	-	-	-	66	-	-	-	66
Other administration	-	-	-	-	-	-	-	-	-	-	4,576	4,272	4,576	4,272
Salaries and benefits	7,838	7,539	-	-	-	-	-	-	-	-	18,391	17,747	26,229	25,286
Interest and bank charges	12,939	12,374	619	703	227	402	-	-	-	-	1,423	1,349	15,208	14,828
Loss on sale of tangible capital assets	-	7	-	-	-	-	-	-	-	-	-	-	-	7
Valuation allowances	241	83	-	-	172	(7)	-	-	1,322	-	4	-	1,739	76
	68,042	65,963	11,908	13,805	23,532	34,010	7,391	6,490	1,322	66	25,853	25,376	138,048	145,210
Annual surplus (deficit)	**$ (47,096)**	**$ (44,278)**	**$ (11,908)**	**$ (13,805)**	**$ (8,937)**	**$ (13,301)**	**$ (7,391)**	**$ (6,490)**	**$ (580)**	**$ 710**	**$ 74,497**	**$ 81,559**	**$ (1,415)**	**$ 4,395**

22. Related party transactions

(a) Transactions with related parties

	2012 (000's)	2011 (000's) (Unaudited)
REVENUES		
Province of Newfoundland and Labrador operating grant		
Consolidated Revenue Fund	$ 52,827	$ 57,795
Rent		
Consolidated Revenue Fund	100	121
Labrador-Grenfell Regional Health Authority	59	59
Western Regional Health Authority	15	15
Eastern Regional Health Authority	9	9
EXPENSES		
Rental operations		
Consolidated Revenue Fund	140	137
Nalcor Energy	43	26
Western Regional Health Authority	-	1
Partner managed housing		
Eastern Regional Health Authority	967	1,293
Western Regional Health Authority	973	464
Central Regional Health Authority	404	458
Labrador-Grenfell Regional Health Authority	25	62
Administration		
Consolidated Revenue Fund	1,195	1,421
Memorial University of Newfoundland	92	58
Eastern Regional Health Authority	39	40
College of the North Atlantic	1	1
Nalcor Energy	1	-
Western Regional Health Authority	1	2

22. Related party transactions (cont.)

(b) Balances due from and to related parties

	2012 (000's)	2011 (000's) (Unaudited)
Due from government and other government organizations		
Consolidated Revenue Fund	$ 592	$ 1,378
Central Regional Health Authority	4	-
Due to government and other government organizations		
Consolidated Revenue Fund	63	112
Nalcor Energy	24	2
Memorial University of Newfoundland	13	4
Eastern Regional Health Authority	2	1
Labrador-Grenfell Regional Health Authority	-	6

23. Trust under administration

For the year ended 31 March 2012, the balance of funds held in trust was $4,701,000 (2011 unaudited - $6,012,000). The funds are held on behalf of various non-profit housing groups to provide for the future replacement or repair of capital items.

24. Statement of cash flows - other

	2012 (000's)	2011 (000's) (Unaudited)
Accounts receivable	$ (76)	$ (484)
Due from government and other government organizations	3,006	3,548
Accounts payable and accrued liabilities	551	992
Due to government and other government organizations	(902)	614
Inventories held for use	(28)	1
Prepaid expenses	(9)	(174)
	$ 2,542	$ 4,497

25. Self-insurance

With the exception of certain high-risk projects, the Corporation follows the policy of self-insuring its rental properties for property damage such as fire, water and vandalism. The costs of these repairs are charged to rental properties expenses.

26. Comparative figures

Certain comparative figures as at 31 March 2011 and 1 April 2010 and for the year ended 31 March 2011 have been restated to conform to current year's presentation.

27. Budgeted figures

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the Board of Directors and the Lieutenant-Governor in Council.

28. Non-financial assets

The recognition and measurement of non-financial assets is based on their service potential. These assets will not provide resources to discharge liabilities of the Corporation. For non-financial assets, the future economic benefit consists of their capacity to render service to further the Corporation's objectives.

29. Prior year tangible capital assets understatement

During the year, it was determined that tangible capital asset information was previously reported in a manner that was inconsistent with the Corporation's tangible capital asset policies. As a result, the cost of tangible capital assets as at 1 April 2010 was understated by $9,075,000 and has been revised to correct this understatement. The comparative figures for 1 April 2010 have been restated to reflect the impact of this prior year accounting understatement.

The accumulated surplus as at 1 April 2010 has also been increased by $9,075,000. Further adjustments were also required to the revised accumulated surplus as explained in Note 19.

During the year, it was also determined that the Corporation did not record donated tangible capital assets, which were valued at $1,199,000, at the time of acquisition during the year ended 31 March 2011. As a result, the cost of tangible capital assets as at 31 March 2011 was understated by a total of $10,274,000, which includes the understatement of $9,075,000 that existed as at 1 April 2010. The cost of tangible capital assets has been revised to correct this understatement. The comparative figures for 31 March 2011 have been restated to reflect the impact of this prior year accounting understatement.

29. Prior year tangible capital assets understatement (cont.)

The accumulated surplus as at 31 March 2011 has also been increased by $10,274,000. Further adjustments were also required to the revised annual surplus (deficit) and the revised accumulated surplus as explained in Note 19.

The understatement of the cost of tangible capital assets would also result in an increase in accumulated amortization. However, the impact of the increase on accumulated amortization was not readily determinable. The increase in accumulated amortization as a result of the understatement would be included in the overall change in accumulated amortization as at 1 April 2010 and 31 March 2011 that was also impacted by the change in accounting policy related to tangible capital assets as outlined in Note 4.

NEWFOUNDLAND AND LABRADOR
IMMIGRANT INVESTOR
FUND LIMITED

FINANCIAL STATEMENTS

31 MARCH 2012

Management's Report

Management's Responsibility for the Newfoundland and Labrador Immigrant Investor Fund Limited Financial Statements

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that transactions are properly authorized, assets are safeguarded and liabilities are recognized.

Management is also responsible for ensuring that transactions comply with relevant policies and authorities and are properly recorded to produce timely and reliable financial information.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Board. The Board reviews external audited financial statements yearly.

The Auditor General conducts an independent audit of the annual financial statements of the Corporation, in accordance with Canadian generally accepted auditing standards, in order to express an opinion thereon. The Auditor General has full and free access to financial management of the Newfoundland and Labrador Immigrant Investor Fund Limited.

On behalf of the Newfoundland and Labrador Immigrant Investor Fund Limited.

Peter Au
Chairperson

Sharlene Jones

Sharlene Jones
Director, Business Analysis

24 August 2012

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

To the Board of Directors
Newfoundland and Labrador Immigrant
Investor Fund Limited
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Newfoundland and Labrador Immigrant Investor Fund Limited which comprise the statements of financial position as at 31 March 2012, 31 March 2011 and 1 April 2010, the statements of operations and accumulated surplus, change in net debt, and cash flows for the years ended 31 March 2012 and 31 March 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Auditor's Report (cont.)

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Newfoundland and Labrador Immigrant Investor Fund Limited as at 31 March 2012, 31 March 2011 and 1 April 2010, and its financial performance and its cash flows for the years ended 31 March 2012 and 31 March 2011 in accordance with Canadian public sector accounting standards.

TERRY PADDON, CA
Auditor General

24 August 2012
St. John's, Newfoundland and Labrador

NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED
STATEMENT OF FINANCIAL POSITION
As at

	31 March 2012	31 March 2011	1 April 2010
		(Note 2)	(Note 2)
FINANCIAL ASSETS			
Cash	**$ 167,975,754**	$ 141,627,574	$ 198,723,633
Interest receivable	**154,994**	132,273	74,546
Investments, at amortized cost (Note 5)	**91,150,491**	88,774,375	-
	$ 259,281,239	$ 230,534,222	$ 198,798,179
LIABILITIES			
Accounts payable and accrued liabilities	**3,390**	3,390	3,390
Obligations to investors (Note 6)	**265,291,075**	237,567,397	204,229,677
	265,294,465	237,570,787	204,233,067
Net debt	**(6,013,226)**	(7,036,565)	(5,434,888)
NON-FINANCIAL ASSETS			
Deferred financing costs (Note 7)	**9,039,725**	9,452,593	8,428,074
Accumulated surplus	**$ 3,026,499**	$ 2,416,028	$ 2,993,186

The accompanying notes are an integral part of these financial statements.

Signed on behalf of the Corporation: ______________________ **Chairperson**

Sharlene Jones
______________________ **Member**

NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
For the Year Ended 31 March

	2012 Budget	2012 Actual	2011 Actual
	(Note 10)		(Note 2)
REVENUES			
Amortization of discounts	$ 2,373,000	$ 2,376,116	$ 809,579
Interest	1,624,000	1,673,212	1,719,509
	3,997,000	4,049,328	2,529,088
EXPENSES			
Amortization of deferred financing costs	3,425,000	3,427,898	3,097,243
Audit fees	4,000	3,390	3,390
Bank charges	-	23	19
Miscellaneous	-	385	385
Safekeeping fees	8,000	7,161	5,209
	3,437,000	3,438,857	3,106,246
Annual surplus (deficit)	560,000	610,471	(577,158)
Accumulated surplus, beginning of year	2,416,028	2,416,028	2,993,186
Accumulated surplus, end of year	$ 2,976,028	$ 3,026,499	$ 2,416,028

The accompanying notes are an integral part of these financial statements.

NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED

STATEMENT OF CHANGE IN NET DEBT

For the Year Ended 31 March

	2012 Budget	2012 Actual	2011 Actual
	(Note 10)		(Note 2)
Annual surplus (deficit)	$ 560,000	$ 610,471	$ (577,158)
Deferred financing costs			
Acquisition of deferred financing costs	(2,901,408)	(3,015,030)	(4,121,762)
Use of deferred financing costs	3,425,000	3,427,898	3,097,243
	523,592	412,868	(1,024,519)
Decrease (increase) in net debt	1,083,592	1,023,339	(1,601,677)
Net debt, beginning of year	(7,036,565)	(7,036,565)	(5,434,888)
Net debt, end of year	$ (5,952,973)	$ (6,013,226)	$ (7,036,565)

The accompanying notes are an integral part of these financial statements.

NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED

STATEMENT OF CASH FLOWS

For the Year Ended 31 March	2012	2011
		(Note 2)
Operating transactions		
Annual surplus (deficit)	$ 610,471	$ (577,158)
Adjustment for non-cash items		
Amortization of deferred financing costs	3,427,898	3,097,243
Amortization of discounts	(2,376,116)	(809,579)
	1,662,253	1,710,506
Change in non-cash working capital		
Interest receivable	(22,721)	(57,727)
Cash provided from operating transactions	1,639,532	1,652,779
Investing transactions		
Purchase of investments	-	(87,964,796)
Cash applied to investing transactions	-	(87,964,796)
Financing transactions		
Deferred financing charges	(3,015,030)	$ (4,121,762)
Amount received from investors	47,690,062	59,493,920
Refund to investors	(31,372)	(106,011)
Repayment of investor funds	(19,935,012)	(26,050,189)
Cash provided from financing transactions	24,708,648	29,215,958
Increase (decrease) in cash	26,348,180	(57,096,059)
Cash, beginning of year	141,627,574	198,723,633
Cash, end of year	$ 167,975,754	$ 141,627,574

The accompanying notes are an integral part of these financial statements.

1. Nature of operations

Newfoundland and Labrador Immigrant Investor Fund Limited (the Corporation) is a Crown corporation of the Province of Newfoundland and Labrador (the Province) and was incorporated on 28 April 2005 under the *Corporations Act* of the Province. Its affairs are governed by a Board of Directors appointed by the Lieutenant Governor in Council.

The purpose of the Corporation is to receive, administer and invest funds received from Citizenship and Immigration Canada (CIC) under its Business Immigration Program. Section 92(f) of the *Immigration and Refugee Protection Regulations* to the *Immigration and Refugee Protection Act* requires that during the allocation period of five years, the provincial allocation must be used for the purpose of creating or continuing employment in Canada to foster the development of a strong and viable economy.

In April 2005, the Provincial Cabinet instructed the Board of Directors to direct the investment activities of the Corporation and refer projects to Cabinet for approval. The Provincial Cabinet also directed that all recommended investments be subject to a thorough financial and business analysis by the sponsoring department.

The Minister of Innovation, Business and Rural Development holds 100% of the issued common shares of the Corporation on behalf of the Province of Newfoundland and Labrador. Currently, there are 100 authorized common shares of no par value with 3 shares issued.

The Corporation is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

2. Conversion to Canadian Public Sector Accounting Standards

Commencing with the 2012 fiscal year, the Corporation has adopted Canadian public sector accounting standards. These financial statements are the first financial statements for which the Corporation has applied Canadian public sector accounting standards. The changeover became effective on 1 April 2011 with retroactive application to 1 April 2010.

The conversion affects primarily only the presentation of the financial statements. There has been no change to the accumulated surplus at the date of transition due to the conversion to Canadian public sector accounting standards.

3. Summary of significant accounting policies

(a) Basis of accounting

These financial statements are prepared by management in accordance with Canadian public sector accounting standards for provincial reporting entities established by the Canadian Public Sector Accounting Board (PSAB).

3. Summary of significant accounting policies (cont.)

(b) Deferred financing costs

Deferred financing costs are amortized, on a straight line basis, over the five year period during which the funds are available to the Corporation.

(c) Obligations to investors

An obligation to an investor is recognized upon receipt of funds from CIC.

(d) Investments

(i) Purchases: Investments are initially recorded at cost.
(ii) Amortization: Discounts are amortized on a straight-line basis from the date of purchase until maturity.

(e) Revenues

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

(f) Expenses

Expenses are reported on an accrual basis.

4. Accounting pronouncements

In December 2010, the PSAB amended Section PS 3410, *Government Transfers*. The main changes pertain to recognition criteria for government transfers, affecting how the Corporation accounts for such transfers. These amendments are effective for fiscal years beginning on or after 1 April 2012, but earlier adoption is encouraged. The Corporation is still evaluating the impact of adopting this new section in the coming year.

In March 2011, the PSAB approved new Section PS 3450, *Financial Instruments*, Section PS 2601 to replace current Section PS 2600, *Foreign Currency Translation* and Section PS 1201 to replace current Section PS 1200, *Financial Statement Presentation*. Government organizations are required to adopt the three sections in the same year. In addition, in March 2012, the PSAB approved Section PS 3041, *Portfolio Investments*, to replace Section PS 3040, *Portfolio Investments*. The four sections are effective 1 April 2012 for government organizations but earlier adoption is permitted. The Corporation is still evaluating the impact of adopting these new sections in the coming year.

5. Investments

The investments consist of 47 Canadian Provincial Government guaranteed strip bonds that were purchased between 8 June 2010 and 20 January 2011, and mature between 2 June 2013 and 15 November 2015. Settlement values of these bonds ranged from $47,065 to $7,318,525 with a total cost of $87,964,796 (2011 - $87,964,796, 2010 - $0), while maturity values range from $50,000 to $8,300,000 and have a total maturity value of $97,503,045. Interest rates range from 2.038636% to 3.4%.

Amortization of bond discounts is calculated on a straight-line basis from the date of purchase until maturity. Total accumulated amortization of bond discounts at 31 March 2012 was $3,185,695 (2011 - $809,579, 2010 - $0), giving the investments an amortized cost of $91,150,491 (2011 - $88,774,375, 2010 - $0).

6. Obligations to investors

One of the conditions for the issuance of a visa to immigrants under the Citizenship and Immigration Canada Business Immigration Program (the Program), is that they must invest $400,000 in Canada for a period of five years. The amount of the investment is allocated to the participating provinces on the first day of the second month following the month payment is received from the investor. $200,000 of the $400,000 is divided equally among the participating provinces while the remaining $200,000 is allocated on the basis of each participating province's gross domestic product as a percentage of the total gross domestic product of all participating provinces.

During the Fall of 2011, a new agreement was signed which now requires immigrants under the Program to invest $800,000 in Canada for a period of five years. Of the $800,000, $400,000 is divided equally among the participating provinces and the remaining $400,000 is allocated on the basis of each participating province's gross domestic product as a percentage of the total gross domestic product of all participating provinces.

As at 31 March 2012, Newfoundland and Labrador Immigrant Investor Fund Limited maintained an allocation of funds from 6,942 investors (2011 - 6,189 investors). Allocations were received from 1,270 investors in 2011-12 (1,678 investors in 2010-11), 1 investor was refunded in 2011-12 (3 investors in 2010-11) and 516 investors were repaid in 2011-12 (676 investors in 2010-11).

These obligations to investors are secured by a non-transferable zero interest promissory note issued by CIC, as agent for the Corporation, and the guarantee of the Province of Newfoundland and Labrador. The guarantee is to CIC, as agent for the Corporation, who will repay investors. The promissory notes are repayable without interest, in full, five years from the date the funds were allocated to the Province or within 90 days after the receipt of a written request by the investor for repayment of the funds provided that such a request for repayment has been received by the agent before a visa has been issued to the investor. As at 31 March 2012, 26 of the 6,942 investors had not received a permanent resident visa (2011 - 141 of 6,189 investors).

6. Obligations to investors (cont.)

Obligations to investors at 31 March 2012 totalled $265,291,075 (2011 - $237,567,397, 2010 - $204,229,677). Scheduled investment repayment dates are as follows:

30 April 2012	1,631,994
31 May 2012	2,214,849
30 June 2012	3,263,988
31 July 2012	4,934,839
31 August 2012	4,857,125
30 September 2012	6,799,975
31 October 2012	5,466,461
30 November 2012	5,876,337
31 December 2012	5,648,722
31 January 2013	2,731,759
28 February 2013	4,305,993
31 March 2013	4,215,265
30 April 2013	3,978,895
31 May 2013	3,821,314
30 June 2013	4,294,055
31 July 2013	3,252,776
31 August 2013	7,194,396
30 September 2013	7,542,528
31 October 2013	6,312,768
30 November 2013	4,632,096
31 December 2013	4,420,624
31 January 2014	1,876,680
28 February 2014	2,710,760
31 March 2014	1,546,512
30 April 2014	2,960,984
31 May 2014	2,038,584
30 June 2014	3,022,729
31 July 2014	6,756,048
31 August 2014	8,048,872
30 September 2014	6,186,048
31 October 2014	6,528,604
30 November 2014	4,837,664
31 December 2014	3,968,384
31 January 2015	2,799,128
28 February 2015	3,472,336
31 March 2015	3,988,373

6. Obligations to investors (cont.)

30 April 2015	4,783,320
31 May 2015	3,826,656
30 June 2015	5,704,552
31 July 2015	8,649,880
31 August 2015	8,891,272
30 September 2015	6,277,704
31 October 2015	6,030,828
30 November 2015	3,502,464
31 December 2015	2,290,156
31 January 2016	2,760,736
28 February 2016	4,548,940
31 March 2016	2,196,040
30 April 2016	3,388,176
31 May 2016	3,325,432
30 June 2016	3,450,920
31 July 2016	3,890,128
31 August 2016	3,199,944
30 September 2016	3,714,104
31 October 2016	3,911,492
30 November 2016	3,935,056
31 December 2016	4,466,952
31 January 2017	4,599,532
29 February 2017	5,513,382
31 March 2017	4,294,944
Total	$ 265,291,075

7. Deferred financing costs

Deferred financing costs of $9,039,725 (2011 - $9,452,593, 2010 - $8,428,074) consist of a five or seven percent commission paid to CIC approved financial institutions which market the program and assist investors in the administration of their investments. The five percent commission is applicable for applications received on or after 1 December 2010. The marketing and financing fee was paid in connection with 6,882 of the 6,942 immigrant investors at 31 March 2012 (6,139 of the 6,189 immigrant investors at 31 March 2011).

8. Financial instruments

The Corporation's financial instruments recognized on the statement of financial position consist of cash, interest receivable, investments at amortized cost, accounts payable and accrued liabilities, and obligations to investors. The purpose of the Corporation is to receive capital from immigrant investors and invest the funds for the purpose of creating and continuing employment in Canada to foster the development of a strong viable economy. At 31 March 2012, the Corporation had invested $87,964,796 of the funds received from immigrant investors in Canadian Provincial Government guaranteed strip bonds. However, it had not invested any of the funds in projects.

Fair value

The carrying value of the interest receivable and accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of the instruments. Investments at amortized cost are carried at cost plus the amortization of discounts on a straight-line basis from the date of purchase until maturity. Due to the fact that the obligations to investors are guaranteed by the Province and the Corporation pays no interest, the face value of the obligations to investors is their fair value.

Interest rate risk

Interest rate risk reflects the risk that the Corporation's earnings will decline due to fluctuations in interest rates. As the Corporation's cash is held in a bank account bearing an interest rate based on prime, the Corporation is subject to interest rate risk with respect to its interest income. As the obligation to investors does not bear interest, the Corporation is not subject to interest rate risk with respect to interest expense.

The Corporation also holds long-term investments. The intention of the Board is to hold these long-term investments to maturity. Therefore, their reported value is current fair value to the Corporation and there is no risk associated with these investments.

9. Related party transactions

For administrative purposes the Corporation is managed by the Department of Innovation, Business and Rural Development and investments are made by the Department of Finance. Expenses related to salaries, accommodations and administration are incurred directly by the departments and no provision is made in these financial statements for these expenses. The amount of these expenses is not material to these financial statements.

At 31 March 2012, the Corporation held a related party investment consisting of a bond in Newfoundland and Labrador Hydro. The bond was purchased on 13 December 2010 at a cost of $5,880,637 with an effective interest rate of 2.7% and a coupon rate of 10.5%. This bond matures 15 June 2014 and has a maturity value of $6,460,322.

10. Budgeted figures

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the House of Assembly of the Province of Newfoundland and Labrador.

11. Comparative figures

Certain comparative figures as at 31 March 2011 and 1 April 2010 and for the year ended 31 March 2011 have been reclassified to conform to current year's presentation.

12. Non-financial assets

The recognition and measurement of non-financial assets is based on their service potential. These assets will not provide resources to discharge liabilities of the Corporation. For non-financial assets, the future economic benefit consists of their capacity to render service to further the Corporation's objectives.

NEWFOUNDLAND AND LABRADOR INDUSTRIAL DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS

31 MARCH 2011

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

To the Board of Directors
Newfoundland and Labrador Industrial
Development Corporation
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Newfoundland and Labrador Industrial Development Corporation which comprise the statement of financial position as at 31 March 2011, the statement of revenues, expenses and surplus and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Auditor's Report (cont.)

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Newfoundland and Labrador Industrial Development Corporation as at 31 March 2011, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

JOHN L. NOSEWORTHY, CA
Auditor General

21 June 2011
St. John's, Newfoundland and Labrador

NEWFOUNDLAND AND LABRADOR INDUSTRIAL DEVELOPMENT CORPORATION
STATEMENT OF FINANCIAL POSITION

31 March	2011	2010
	(000's)	(000's)
ASSETS		
Current		
Cash	$ 437	$ 436
Accounts receivable	50	-
	487	436
Investments, at cost (Note 2)	3,500	3,500
	$ 3,987	$ 3,936
LIABILITIES AND SURPLUS		
Current		
Accounts payable and accrued liabilities	$ 2	$ 2
Surplus	3,985	3,934
	$ 3,987	$ 3,936

See accompanying notes

Signed on behalf of the Board of Directors: **Chairperson** **Director**

NEWFOUNDLAND AND LABRADOR INDUSTRIAL DEVELOPMENT CORPORATION

STATEMENT OF REVENUES, EXPENSES AND SURPLUS

For the Year Ended 31 March		2011		2010
		(000's)		(000's)
REVENUES				
Lease income (Note 2)	$	50	$	50
Interest and investment income		3		-
		53		50
EXPENSES				
Professional services		2		2
		2		2
Excess of revenues over expenses		51		48
Surplus, beginning of year		3,934		3,886
Surplus, end of year	$	3,985	$	3,934

See accompanying notes

NEWFOUNDLAND AND LABRADOR INDUSTRIAL DEVELOPMENT CORPORATION

STATEMENT OF CASH FLOWS

For the Year Ended 31 March	2011	2010
	(000's)	(000's)
Cash flows from operating activities		
Excess of revenues over expenses	$ 51	$ 48
Changes in non-cash working capital	(50)	1
Net increase in cash	1	49
Cash, beginning of year	436	387
Cash, end of year	$ 437	$ 436

See accompanying notes

Authority

The Newfoundland and Labrador Industrial Development Corporation (NIDC) operates under the authority of the *Industrial Development Corporation Act*. The primary purpose of NIDC is to provide long-term financing to industrial and resource-based companies. Funding is secured through various means including borrowing from the Province of Newfoundland and Labrador (Province). The affairs of NIDC are managed by a Board of Directors appointed by the Lieutenant-Governor in Council.

1. Basis of accounting

These financial statements have been prepared by NIDC's management in accordance with Canadian generally accepted accounting principles.

2. Investments

	2011 (000's)	2010 (000's)
Icewater Seafoods Inc., 35,000 Preference Shares	**$ 3,500**	$ 3,500

Icewater Seafoods Inc.

During 2004-05, NIDC was authorized by the Province to provide funding to Icewater Seafoods Inc. in the amount of $3,500,000 by way of a preference share investment in order to assist Icewater Seafoods Inc. in its acquisition of the Arnold's Cove seafood processing facility. These preference shares, having a par value of $100 per share, are non-voting and redeemable with annual, fixed, preferential and cumulative dividends. The Province advanced funding to NIDC for this investment, by way of two $1,750,000 grants. These grants were received in October 2004 and April 2005, with 17,500 preference shares purchased from each grant.

By Agreement dated 8 October 2004, NIDC has acquired for nominal consideration from High Liner Foods Incorporated, the previous operator of the Arnold's Cove seafood processing facility, its Enterprise Allocations, vessel designations and historic rights for Newfoundland and Labrador offshore fishing areas, as defined by the Agreement.

By separate lease Agreement, also dated 8 October 2004, NIDC leased these Enterprise Allocations, vessel designations and historic rights for Newfoundland and Labrador offshore fishing areas, to Icewater Seafoods Inc. and Icewater Harvesting Inc. This lease is for a period of twenty years at $50,000 each year and is subject to certain restrictions and conditions contained in the lease Agreement.

3. Distribution of earnings

Pursuant to Section 30 of the *Industrial Development Corporation Act*, the balance that the Minister of Finance considers to be available out of the net profits of NIDC is to be paid to the Province at such intervals and in a manner that the Minister may direct by notice to the Chairperson of the Board.

4. Related party transactions

NIDC is administered by employees of the Department of Finance. The costs of administration are paid directly by the Department. These costs are not material and are not reflected in these financial statements.

5. Financial instruments

NIDC's short-term financial instruments recognized on the balance sheet consist of cash, accounts receivable, and accounts payable and accrued liabilities. The carrying values of these instruments approximate current fair value due to their nature and the short-term maturity associated with them. There is no credit risk associated with the Corporation's accounts receivable because the accounts were collected subsequent to year end. Therefore, no allowance has been provided against these receivables.

6. Economic dependence

As a result of NIDC's reliance on Provincial funding, its ability to continue viable operations is dependent upon the decisions of the Province.

7. Income taxes

NIDC is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

NEWFOUNDLAND AND LABRADOR INDUSTRIAL DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS

31 MARCH 2012

Management's Report

Management's Responsibility for Newfoundland and Labrador Industrial Development Corporation Financial Statements

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that transactions are properly authorized, assets are safeguarded and liabilities are recognized.

Management is also responsible for ensuring that transactions comply with relevant policies and authorities and are properly recorded to produce timely and reliable financial information.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Board. The Board reviews internal financial information on a quarterly basis and external audited financial statements yearly.

The Auditor General conducts an independent audit of the annual financial statements of the Corporation, in accordance with Canadian generally accepted auditing standards, in order to express an opinion thereon. The Auditor General has full and free access to financial management of the Newfoundland and Labrador Industrial Development Corporation.

On behalf of the Newfoundland and Labrador Industrial Development Corporation

Laurie Skinner

Laurie Skinner, CA
Chairperson

Paul Myrden, CA
Director, Debt Management

4 September 2012

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

To the Board of Directors
Newfoundland and Labrador Industrial
Development Corporation
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Newfoundland and Labrador Industrial Development Corporation which comprise the statement of financial position as at 31 March 2012, 31 March 2011 and 1 April 2010, the statements of operations and accumulated surplus, and cash flows for the years ended 31 March 2012 and 31 March 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Auditor's Report (cont.)

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Newfoundland and Labrador Industrial Development Corporation as at 31 March 2012, 31 March 2011 and 1 April 2010, and its financial performance and its cash flows for the years ended 31 March 2012 and 31 March 2011 in accordance with Canadian public sector accounting standards.

Sandra Russell

SANDRA RUSSELL, CA
Deputy Auditor General

4 September 2012
St. John's, Newfoundland and Labrador

NEWFOUNDLAND AND LABRADOR INDUSTRIAL DEVELOPMENT CORPORATION

STATEMENT OF FINANCIAL POSITION

As at

	31 March 2012	31 March 2011	1 April 2010
	(000's)	(Note 2) (000's)	(Note 2) (000's)
FINANCIAL ASSETS			
Cash	$ 489	$ 437	$ 436
Accounts receivable (Note 5)	50	50	-
Investments, at amortized cost (Note 6)	3,500	3,500	3,500
	4,039	3,987	3,936
LIABILITIES			
Accounts payable and accrued liabilities	2	2	2
	2	2	2
Net financial assets	4,037	3,985	3,934
NON-FINANCIAL ASSETS	-	-	-
Accumulated surplus	$ 4,037	$ 3,985	$ 3,934

The accompanying notes are an integral part of these financial statements.

Signed on behalf of the Board: Laurie Skinner **Chairperson** **Director**

NEWFOUNDLAND AND LABRADOR INDUSTRIAL DEVELOPMENT CORPORATION

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

For the Year Ended 31 March

	2012 Budget (Note 8) (000's)	2012 Actual (000's)	2011 Actual (Note 2) (000's)
REVENUES			
Lease income (Note 6)	$ 50	$ 50	$ 50
Interest and investment income	4	4	3
	54	54	53
EXPENSES			
Professional services	2	2	2
	2	2	2
Annual surplus	52	52	51
Accumulated surplus, beginning of year	3,985	3,985	3,934
Accumulated surplus, end of year	$ 4,037	$ 4,037	$ 3,985

The accompanying notes are an integral part of these financial statements.

NEWFOUNDLAND AND LABRADOR INDUSTRIAL DEVELOPMENT CORPORATION

STATEMENT OF CASH FLOWS

For the Year Ended 31 March

	2012	2011
		(Note 2)
	(000's)	(000's)
Operating transactions		
Annual surplus	$ 52	$ 51
	52	51
Change in non-cash working capital		
Accounts receivable	-	(50)
Cash provided from operating transactions	52	1
Increase in cash	52	1
Cash, beginning of year	437	436
Cash, end of year	$ 489	$ 437

The accompanying notes are an integral part of these financial statements.

1. Nature of operations

The Newfoundland and Labrador Industrial Development Corporation (NIDC) operates under the authority of the *Industrial Development Corporation Act*. The primary purpose of NIDC is to provide long-term financing to industrial and resource-based companies. Funding is secured through various means including borrowing from the Province of Newfoundland and Labrador (Province).

The affairs of NIDC are managed by a Board of Directors appointed by the Lieutenant-Governor in Council. NIDC is a Crown entity of the Province and as such is not subject to Provincial or Federal income taxes.

2. Conversion to Canadian Public Sector Accounting Standards

Commencing with the 2012 fiscal year, NIDC has adopted Canadian public sector accounting standards. These financial statements are the first financial statements for which NIDC has applied Canadian public sector accounting standards. The changeover became effective on 1 April 2011 with retroactive application to 1 April 2010.

The conversion affects primarily the presentation of the financial statements. There has been no change to the accumulated surplus at the date of transition due to the conversion to Canadian public sector accounting standards.

3. Changes in accounting standards: early adoption of released CICA Public Sector Accounting Handbook sections

NIDC elected to early adopt the following CICA Public Sector Accounting Handbook sections at the transition date.

(a) Section PS 3410 Revised, Government Transfers

Section PS 3410, *Government Transfers*, was amended by the Canadian Public Sector Accounting Board (PSAB) in December 2010. The main changes pertain to recognition criteria for government transfers, affecting how NIDC accounts for such transfers. These amendments are effective for fiscal years beginning on or after 1 April 2012 but earlier adoption is encouraged. NIDC decided to early adopt the section for the year ending 31 March 2012. This accounting change had no significant impact on NIDC's financial statements.

3. Changes in accounting standards: early adoption of released CICA Public Sector Accounting Handbook sections (cont.)

(b) Sections: PS 3450 Financial Instruments; PS 2601 Foreign Currency Translation; and PS 1201 Financial Statement Presentation

In March 2011, the PSAB approved new Section PS 3450, *Financial Instruments*, Section PS 2601 to replace current Section PS 2600, *Foreign Currency Translation* and Section PS 1201 to replace current Section PS 1200, *Financial Statement Presentation*. The three sections are effective for fiscal years beginning on or after 1 April 2012 for government organizations but earlier adoption is permitted. Government organizations are required to adopt the three sections in the same year. NIDC decided to early adopt these sections for the year ending 31 March 2012. This accounting change had no significant impact on NIDC's financial statements.

4. Summary of significant accounting policies

(a) Basis of accounting

These financial statements are prepared by management in accordance with Canadian public sector accounting standards for provincial reporting entities established by the PSAB. NIDC does not prepare a statement of change in net financial assets as this information is readily apparent from the other statements. In addition, NIDC does not prepare a statement of remeasurement gains and losses as NIDC does not enter into relevant transactions or circumstances that are being addressed by the statement.

(b) Investments

NIDC invests in Icewater Seafoods Inc.. This investment is accounted for on the amortized cost basis with a provision being made for any decline in its value considered to be other than temporary. Any write-down of this portfolio investment to reflect a loss in value would not be reversed for a subsequent increase in value.

(c) Revenues

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

(d) Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is expensed.

5. Accounts receivable

	31 March 2012 (000's)	31 March 2011 (000's)	1 April 2010 (000's)
Icewater Seafoods Inc.	**$ 50**	$ 50	$ -

There is no allowance for doubtful accounts since all amounts are considered collectible.

6. Investments

	31 March 2012 (000's)	31 March 2011 (000's)	1 April 2010 (000's)
Icewater Seafoods Inc., 35,000 Preference Shares	**$ 3,500**	$ 3,500	$ 3,500

Icewater Seafoods Inc.

During 2004-05, NIDC was authorized by the Province to provide funding to Icewater Seafoods Inc. in the amount of $3,500,000 by way of a preference share investment in order to assist Icewater Seafoods Inc. in its acquisition of the Arnold's Cove seafood processing facility. These preference shares, having a par value of $100 per share, are non-voting and redeemable with annual, fixed, preferential and cumulative dividends. The Province advanced funding to NIDC for this investment, by way of two $1,750,000 grants. These grants were received in October 2004 and April 2005, with 17,500 preference shares purchased from each grant.

By Agreement dated 8 October 2004, NIDC has acquired for nominal consideration from High Liner Foods Incorporated, the previous operator of the Arnold's Cove seafood processing facility, its Enterprise Allocations, vessel designations and historic rights for Newfoundland and Labrador offshore fishing areas, as defined by the Agreement.

By separate lease Agreement, also dated 8 October 2004, NIDC leased these Enterprise Allocations, vessel designations and historic rights for Newfoundland and Labrador offshore fishing areas, to Icewater Seafoods Inc. and Icewater Harvesting Inc. This lease is for a period of twenty years at $50,000 each year and is subject to certain restrictions and conditions contained in the lease Agreement.

7. Financial instruments

NIDC's financial instruments recognized on the statement of financial position consist of cash, accounts receivable, investments, and accounts payable and accrued liabilities. The carrying value of cash, accounts receivable and accounts payable and accrued liabilities approximate current fair value due to their nature and the short-term maturity associated with them and no further risk exists. Investments are carried at amortized cost as disclosed in Note 4(b).

Risk management

NIDC recognizes the importance of managing significant risks and this includes policies, procedures and oversight designed to reduce the risks identified to an appropriate threshold. Risks currently managed by NIDC are liquidity risk and credit risk.

Liquidity risk

Liquidity risk is the risk that NIDC will be unable to meet its contractual obligations and financial liabilities. NIDC manages liquidity risk by monitoring its cash flows and ensuring that it has sufficient resources available to meet its obligations and liabilities.

Credit risk

Credit risk is a risk of loss if a client cannot meet its obligation. NIDC is exposed to risk with respect to investments and lease income. NIDC has policies and procedures for the monitoring of its clients so as to mitigate any potential credit losses.

8. Budgeted figures

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the Board of Directors.

9. Related party transactions

NIDC is administered by employees of the Department of Finance. The costs of administration are paid directly by the Department. These costs are not material and are not reflected in these financial statements.

10. Distribution of earnings

Pursuant to Section 30 of the *Industrial Development Corporation Act,* the balance that the Minister of Finance considers to be available out of the net profits of NIDC is to be paid to the Province at such intervals and in a manner that the Minister may direct by notice to the Chairperson of the Board.

11. Comparative figures

Certain comparative figures as at 31 March 2011 and 1 April 2010 and for the year ended 31 March 2011 have been reclassified to conform to current year's presentation.

Financial Statements of

Newfoundland Labrador Liquor Corporation

April 7, 2012

Ernst & Young

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Newfoundland Labrador Liquor Corporation

We have audited the accompanying financial statements of **Newfoundland Labrador Liquor Corporation**, which comprise the statements of financial position as at April 7, 2012, April 2, 2011 and April 4, 2010, and the statements of comprehensive income, changes in net assets and cash flows for the periods ended April 7, 2012 and April 2, 2011, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Newfoundland Labrador Liquor Corporation** as at April 7, 2012, April 2, 2011 and April 4, 2010, and its financial performance and its cash flows for the periods ended April 7, 2012 and April 2, 2011 in accordance with International Financial Reporting Standards.

Ernst & Young LLP

St. John's, Canada
July 6, 2012

Chartered Accountants

Newfoundland Labrador Liquor Corporation

STATEMENTS OF FINANCIAL POSITION

As at
[in thousands]

	April 7, 2012 $	April 2, 2011 $	April 4, 2010 $
ASSETS			
Non-current			
Property, plant and equipment (note 6)	**14,757**	16,256	17,458
Intangible assets (note 7)	**5,756**	4,602	4,083
	20,513	20,858	21,541
Current			
Cash and cash equivalents	**31,419**	28,693	27,500
Accounts receivable (note 8)	**10,403**	9,576	11,245
Inventories (note 9)	**34,702**	32,702	31,770
Prepaid expenses	**6,375**	4,285	2,607
	82,899	75,256	73,122
TOTAL ASSETS	**103,412**	96,114	94,663
LIABILITIES AND NET ASSETS			
Non-current			
Employee benefits (note 10)	**4,610**	4,375	4,065
Current			
Accounts payable and accrued liabilities (note 11)	**27,773**	24,675	24,544
Accrued vacation pay	**2,409**	2,240	1,912
	30,182	26,915	26,456
Net assets	**68,620**	64,824	64,142
TOTAL LIABILITIES AND NET ASSETS	**103,412**	96,114	94,663

See accompanying notes

Director

Director

Newfoundland Labrador Liquor Corporation

STATEMENTS OF COMPREHENSIVE INCOME

Periods ended
[in thousands]

	53 Weeks April 7, 2012 $	52 Weeks April 2, 2011 $
Sales (note 12)	**224,360**	206,367
Commission revenue on sale of beer	**61,407**	58,585
	285,767	264,952
Cost of sales	**101,039**	91,934
Gross profit	**184,728**	173,018
Administrative and operating expenses (note 13)	**46,122**	43,834
Earnings from operations	**138,606**	129,184
Other income		
Finance income	**383**	288
Miscellaneous income	**2,807**	3,210
	3,190	3,498
Comprehensive income	**141,796**	132,682

See accompanying notes

Newfoundland Labrador Liquor Corporation

STATEMENTS OF CHANGES IN NET ASSETS

Periods ended
[in thousands]

	53 Weeks April 7, 2012 $	52 Weeks April 2, 2011 $
Balance, beginning of period	**64,824**	64,142
Comprehensive income	**141,796**	132,682
	206,620	196,824
Distributions to the Province of Newfoundland and Labrador	**(138,000)**	(132,000)
Balance, end of year	**68,620**	64,824

See accompanying notes

Newfoundland Labrador Liquor Corporation

STATEMENTS OF CASH FLOWS

Periods ended
[in thousands]

	53 Weeks April 7, 2012 $	52 Weeks April 2, 2011 $
OPERATING ACTIVITIES		
Comprehensive income	**141,796**	132,682
Adjustments for:		
Depreciation and amortization	**3,645**	3,680
Gain on disposal of property, plant and equipment	**—**	(474)
Accrued vacation pay	**169**	328
Employee benefits	**235**	310
	145,845	136,526
Net change in non-cash working capital	**(1,819)**	(810)
	144,026	135,716
INVESTING ACTIVITIES		
Proceeds on disposal of property, plant and equipment	**—**	950
Purchase of property, plant and equipment	**(1,086)**	(2,078)
Purchase of intangible assets	**(2,214)**	(1,395)
	(3,300)	(2,523)
FINANCING ACTIVITY		
Distributions to the Province of Newfoundland and Labrador	**(138,000)**	(132,000)
	(138,000)	(132,000)
Net increase in cash during the period	**2,726**	1,193
Cash and cash equivalents, beginning of period	**28,693**	27,500
Cash and cash equivalents, end of period	**31,419**	28,693

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

April 7, 2012

1. NATURE OF OPERATIONS

The Newfoundland Labrador Liquor Corporation (the "Corporation" or "NLC") is a Provincial Crown Corporation responsible for managing the importation, sale and distribution of beverage alcohol throughout the Province of Newfoundland and Labrador (the "Province"). As a Crown Corporation the NLC is not subject to any Provincial or Federal taxation in relation to its income.

The fiscal year of the Corporation ends on the first Saturday of April. As a result, the Corporation's fiscal year is usually 52 weeks in duration but includes a 53rd week every 5 to 6 years. The years ended April 7, 2012 and April 2, 2011 contained 53 weeks and 52 weeks, respectively.

2. BASIS OF PREPARATION

Statement of compliance

The financial statements of the Corporation for the 53 weeks ended April 7, 2012 were authorized for issue in accordance with a resolution of the directors on July 6, 2012.

The financial statements of the Corporation have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). As these financial statements for the period ended April 7, 2012 represent the Corporation's initial presentation of its results and financial position under IFRS, they were prepared in accordance with IFRS 1, *First-time Adoption of International Financial Reporting Standards* ("IFRS 1").

For the period up to and including April 2, 2011, NLC's financial statements were previously prepared based on Canadian generally accepted accounting principles ("CGAAP"). CGAAP differs in some areas from IFRS. In preparing these financial statements, management has amended certain accounting previously applied in the CGAAP financial statements to comply with IFRS. The comparative figures for the period ended April 2, 2011 were restated to reflect these adjustments. Certain information and footnote disclosures which are considered material to the understanding of NLC's transition to IFRS along with reconciliations and descriptions of the effect of the transition from CGAAP to IFRS on net assets at April 4, 2010, and comprehensive income for the period ended April 2, 2011 are included in note 5. The Corporation's transition date to IFRS is April 4, 2010 ("Transition Date"), and the Corporation prepared its opening IFRS statement of financial position at that date.

Going concern and basis of measurement

These financial statements were prepared on a going concern basis, under the historical cost convention. The financial statements are presented in Canadian dollars and all values are rounded to the nearest thousand except when otherwise indicated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Corporation and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received (or receivable), excluding discounts, rebates, and sales taxes or duty. The Corporation assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Corporation has concluded that it is acting as a principal in all of its revenue arrangements. The Corporation's major revenue streams include sales to retail and wholesale customers and commission revenue on the sale of beer. The following specific recognition criteria apply before revenue is recognized:

Sale of goods

The Corporation generates and recognizes net sales to retail and licensee customers at the point of sale in its stores and upon delivery of products to Liquor Express operators. The commission paid to the Liquor Express operators is deducted from the selling price of the products delivered.

Sales of gift cards are included in accounts payable and accrued liabilities as deferred revenue on the statement of financial position at the time of the sale and subsequently recognized in the statement of comprehensive income when redeemed.

Sales exclude HST and other taxes due.

Commission revenues

The Corporation earns a commission on the sale of beer products in the Province sold through Liquor Express outlets and brewer's agent stores. Commissions are recognized on an accrual basis, based upon beer products sold during the reporting period. The commission earned is presented within revenue as it is earned through the ordinary activities of the Corporation.

Foreign currency translation

Transactions in foreign currencies are initially recorded by the Corporation at rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the functional currency spot rate of exchange ruling at the reporting date. All differences are recorded on the statement of comprehensive income.

Property, plant and equipment

Property, plant, and equipment are stated at cost less depreciation and any impairment. The cost includes expenditures that are directly attributable to the acquisition of the items. Repairs and maintenance are charged to the statement of comprehensive income during the period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost less their residual values over their estimated useful lives as follows:

Building components	20 - 50 years
Leasehold improvements	5 - 20 years
Office furniture and equipment	5 - 10 years
Computer hardware	5 - 6 years
Plant and warehouse equipment	5 - 20 years
Store equipment and fixtures	10 years
Motor vehicles	3 years

Building components include building structure, building envelope, mechanical and electrical, roofing and paving, and interior finishes. These components are combined and presented in these financial statements as building components.

The assets' residual values and useful lives are reviewed and adjusted if appropriate at each statement of financial position date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. The Corporation analyzes its lease agreements to assess whether they are finance or operating leases, using the lease term, useful life of the underlying asset, the present value of lease payments and other relevant factors. The Corporation has concluded that all its leases are operating leases.

Operating lease payments are recognized as an expense in the statement of comprehensive income on a straight-line basis over the lease term. Contingent rent payable is estimated at the inception of the lease and recognized on an accrual basis.

The Corporation uses office and warehouse space in St. John's which is owned by the Department of Works, Services and Transportation of the Province. The Corporation is not required to make any payments to the Department of Works, Services and Transportation; no amount has been recorded in these financial statements. All operating, leasehold and maintenance costs related to the buildings are the responsibility of the Corporation. No amount has been recorded in these financial statements.

Intangible assets

Intangible assets consist of a trademark and computer software assets not considered integral to the operation of the related hardware. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any impairment losses. The Corporation capitalizes internally generated intangible assets that meet capitalization criteria. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Intangible assets with finite lives (including computer software) are amortized over periods of 5-9 years. New product research and development costs are expensed as incurred.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit ("CGU") level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. The Corporation considers the capitalized trademark to have an indefinite life.

Impairment of non-financial assets

The Corporation assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Corporation estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized.

Cash and cash equivalents

Cash and cash equivalents are defined as short-term deposits with original maturities of three months or less. The Corporation holds cash in an investment account which is an interest-bearing account. The interest income earned on these deposits is recorded as finance income.

Inventories

Inventories are measured at the lower of cost and net realizable value. Inventories at head office, in transit and in retail stores are measured at landed cost, consisting of acquisition costs, freight and customs and excise duties. In the case of manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Periodically, NLC reviews its inventory to investigate whether an inventory reserve is required, to reduce the carrying value of inventory for obsolescence and amounts required to value inventory at the lower of cost or net realizable value.

Provisions

Provisions are recognized when the Corporation has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current rate that reflects, where appropriate, the risks specific to the liability.

Employee benefits

Severance

The Corporation provides a severance payment upon resignation, retirement or termination subject to certain vesting and other conditions of employment. The expected cost of this employee benefit is accounted for on an accrual basis and has been valued using an estimated actuarial basis. The Corporation reviews its assumptions annually and any resulting adjustments are recognized immediately in the statement of comprehensive income.

Sick leave

Certain employees of the Corporation are entitled to sick leave benefits which accumulate but do not vest. In accordance with IFRS, the Corporation recognizes the liability for the future use of these benefits in the period in which the employee renders the service based on factors such as salary changes, mortality, expectations on retention along with other relevant assumptions. The expected cost of this employee benefit is accounted for on an accrual basis and has been valued using an estimated actuarial basis.

Pension

The Corporation and its employees participate in the Province's Public Service Pensions Plan ("PSPP"), a multi-employer defined benefit plan. The Corporation is however not able to obtain sufficient information from the plan administrator to account for the plan as a defined benefit plan and therefore applies defined contribution accounting guidelines. The Corporation's contributions are expensed as incurred.

Financial instruments

Financial assets

Financial assets within the scope of *IAS 39 Financial Instruments: Recognition and Measurement* ("IAS 39") are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Corporation determines the classification of its financial assets at initial recognition. All financial assets are recognized initially at fair value.

Financial liabilities

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Corporation determines the classification of its financial liabilities at initial recognition.

The Corporation has classified and subsequently measures financial assets/liabilities as follows:

Asset/Liability	**Classification**	**Measurement**
Cash and cash equivalents	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost

Significant accounting judgments, estimates and assumptions

The preparation of the Corporation's financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

The most significant estimates and assumptions were made as part of the severance and sick leave account balances. The Corporation made assumptions regarding the discount rate, salary increases, and retention rates to estimate the amount of severance and sick leave accrued as of the reporting date.

4. FUTURE ACCOUNTING PRONOUNCEMENTS

The Corporation monitors the activities of the IASB and considers the impact that changes in the standards may have on the Corporation's financial reporting. Some of the ongoing projects which may impact the Corporation are as follows:

IAS 17, Leases
The IASB has issued an exposure draft which proposes a new, single approach to lease accounting that would ensure that all assets and liabilities arising under lease contracts are recognized in the statement of financial position.

IAS 19, Employee Benefits
The IASB has issued a revised standard on employee benefits which is applicable for years beginning on or after January 1, 2013. The revised standard will require the impact of changes in actuarial assumptions from year to year be recorded in other comprehensive income.

IFRS 9, Financial Instruments, which replaces IAS 39.

IFRS 13, Fair Value Measurement, establishes a single source of guidance for fair value measurements, which fair value is required or permitted under IFRS.

The Corporation is analyzing the impact these new standards will have on its financial statements.

5. TRANSITION TO IFRS

For all periods up to April 2, 2011, the Corporation prepared its financial statements in accordance with CGAAP. These financial statements for the period ended April 7, 2012 are the first annual financial statements that comply with IFRS, as detailed in the accounting policies described in note 3. In preparing these financial statements, the Corporation prepared its opening statement of financial position as at April 4, 2010, the Corporation's Transition Date. This note explains the principal adjustments made by the Corporation in restating its CGAAP statement of financial position as at April 4, 2010 and its previously published CGAAP financial statements for the period ended April 2, 2011.

A. ELECTED EXEMPTIONS FROM FULL RETROSPECTIVE APPLICATION

In preparing these financial statements in accordance with IFRS 1, the Corporation has not applied any of the optional exemptions from full retrospective application of IFRS.

B. RECONCILIATION OF NET ASSETS AND STATEMENT OF FINANCIAL POSITION AS PREVIOUSLY REPORTED UNDER CGAAP:

As at April 4, 2010

	CGAAP $	Adjustments $	IFRS $
ASSETS			
Non-current			
Property, plant and equipment (a)	15,133	2,325	17,458
Intangible assets (b)	2,880	1,203	4,083
	18,013	3,528	21,541
Current			
Cash and cash equivalents	27,500	—	27,500
Accounts receivable	11,245	—	11,245
Inventories	31,770	—	31,770
Prepaid expenses	2,607	—	2,607
	73,122	—	73,122
TOTAL ASSETS	91,135	3,528	94,663
LIABILITIES AND NET ASSETS			
Non-current			
Employee benefits (c, d)	2,364	1,701	4,065
Current			
Accounts payable and accrued liabilities	24,544	—	24,544
Accrued vacation pay	1,912	—	1,912
	26,456	—	26,456
Net Assets	62,315	1,827	64,142
TOTAL LIABILITIES AND NET ASSETS	91,135	3,528	94,663

As at April 2, 2011

	CGAAP $	Adjustments $	IFRS $
ASSETS			
Non-current			
Property, plant and equipment (a)	13,515	2,741	16,256
Intangible assets (b)	2,927	1,675	4,602
	16,442	4,416	20,858
Current			
Cash and cash equivalents	28,693	—	28,693
Accounts receivable	9,576	—	9,576
Inventories	32,702	—	32,702
Prepaid expenses	4,285	—	4,285
	75,256	—	75,256
TOTAL ASSETS	91,698	4,416	96,114
LIABILITIES AND NET ASSETS			
Non-current			
Employee benefits (c, d)	2,455	1,920	4,375
Current			
Accounts payable and accrued liabilities	24,675	—	24,675
Accrued vacation pay	2,240	—	2,240
	26,915	—	26,915
Net assets	62,328	2,496	64,824
TOTAL LIABILITIES AND NET ASSETS	91,698	4,416	96,114

C. RECONCILIATION OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED APRIL 2, 2011

	CGAAP $	Adjustments $	IFRS $
Sales (e)	210,016	(3,649)	206,367
Commission revenue on sale of beer (f)	—	58,585	58,585
	210,016	54,936	264,952
Cost of sales (e)	90,952	982	91,934
Gross profit	119,064	53,954	173,018
Administrative and operating expenses (a, b, c, d, e)	49,134	(5,300)	43,834
Earnings from operations	69,930	59,254	129,184
Other income			
Finance income	288	—	288
Commission revenue on sale of beer (f)	58,585	(58,585)	—
Miscellaneous income	3,210	—	3,210
	62,083	(58,585)	3,498
Comprehensive income	132,013	669	132,682

Explanation of transitional adjustments

(a) Property, plant and equipment

IFRS requires that each part of an item of property, plant and equipment that has a cost that is significant in relation to the cost of the item be depreciated separately. The standard also requires that NLC re-evaluate its estimates of useful lives and residual values of significant assets at each statement of financial position date.

As a result of componentizing the Corporation's buildings and production equipment in accordance with IFRS, the net book value increased with a corresponding increase to net assets of $1.0 million.

The Corporation revised estimated useful lives of specific assets in accordance with IFRS which resulted in a transition adjustment to increase net book value by $1.3 million with a corresponding increase in net assets.

As a result of the changes to the carrying amounts of property, plant and equipment, the related depreciation amounts decreased by $0.4 million for April 2, 2011.

(b) Intangible assets

IFRS allows intangible assets to have either a finite or infinite useful life. NLC assessed that its Old Sam trademark would have an infinite useful life. As such, the trademark was reinstated at its original acquisition cost of $0.2 million.

IFRS requires intangible assets with a finite useful life be re-evaluated at each statement of financial position date. As a result, NLC revised the estimated useful life on certain types of computer software, increasing the net book value of the assets with a corresponding increase to net assets of $1.0 million.

As a result of the changes to the carrying amounts of intangible assets, the related amortization amounts decreased $0.5 million for April 2, 2011.

(c) Severance

IFRS requires that the accrual for the provision of severance pay be recorded as of the date employees join the Corporation as it is more likely than not that some employees will be paid severance. The amount accrued takes into account expected employee retention rates, age and length of service.

IFRS 1 requires that NLC apply IFRS as if it had always been applied. Adjustments for previous years are recorded through the net assets account.

Due to the changes in calculation of the severance provision, the amount of the Corporation's annual expense also changed.

(d) Sick leave

IFRS requires NLC to accrue the provision for sick leave based upon a lower threshold than was required under CGAAP. The amount accrued takes into account expected employee retention ratios and the present value of money, as well as historical usage data.

IFRS 1 requires that NLC apply IFRS as if it had always been applied. Adjustments for previous years are recorded through the net assets account.

Due to the changes in calculation of sick leave accrual, the amount of the Corporation's annual expense also changed.

(e) Sales and cost of sales

Under IFRS, the commissions paid to Liquor Express operators are presented as a reduction of sales, whereas under CGAAP these were presented as operating expenses.

Under IFRS, the amounts billed to suppliers for the purchase of Airmiles are presented as sales, whereas under CGAAP these were presented as a reduction of operating expenses. The cost of purchasing Airmiles is presented as a cost of sales under IFRS, whereas under CGAAP these were presented as operating expenses.

(f) Commission revenue on the sale of beer

Under IFRS, the commission revenue earned on sale of beer through Liquor Express outlets and brewer's agent stores is presented as revenue, whereas under CGAAP the commission revenue earned on the sale of beer was presented as other income.

D. OTHER TRANSITIONAL IMPACTS

There were no significant differences between CGAAP and IFRS on NLC's statement of cash flows for the 52 weeks ended April 2, 2011.

6. PROPERTY, PLANT AND EQUIPMENT

	April 7, 2012			April 2, 2011	April 4, 2010
	Cost $	Accumulated depreciation $	Net book value $	Net book value $	Net book value $
Land	784	—	784	784	1,195
Buildings	5,354	1,780	3,574	3,805	3,797
Leasehold improvements	13,376	7,769	5,607	6,476	7,597
Office furniture	1,756	1,239	517	639	677
Computer hardware	3,248	1,845	1,403	1,484	918
Plant and warehouse equipment	3,910	2,302	1,608	1,810	2,033
Store equipment and fixtures	4,006	2,834	1,172	1,239	1,206
Motor vehicles	158	66	92	19	35
	32,592	17,835	14,757	16,256	17,458

Newfoundland Labrador Liquor Corporation

NOTES TO FINANCIAL STATEMENTS

April 7, 2012

	April 7, 2012			
	Opening balance $	Additions $	Disposals $	Closing balance $
Cost				
Land	784	—	—	784
Building components	5,354	—	—	5,354
Leasehold improvements	13,292	84	—	13,376
Office furniture and equipment	1,710	66	(20)	1,756
Computer hardware	2,921	390	(63)	3,248
Plant and warehouse equipment	3,865	51	(6)	3,910
Store equipment and fixtures	3,623	389	(6)	4,006
Motor vehicles	77	106	(25)	158
Total	31,626	1,086	(120)	32,592
Accumulated depreciation	Opening balance $	Depreciation $	Disposals $	Closing balance $
Land	—	—	—	—
Building components	1,549	231	—	1,780
Leasehold improvements	6,816	953	—	7,769
Office furniture and equipment	1,071	188	(20)	1,239
Computer hardware	1,437	471	(63)	1,845
Plant and warehouse equipment	2,055	253	(6)	2,302
Store equipment and fixtures	2,384	456	(6)	2,834
Motor vehicles	58	33	(25)	66
Total	15,370	2,585	(120)	17,835
Net book value	16,256	(1,499)	—	14,757

	April 2, 2011			
	Opening balance $	**Additions $**	**Disposals $**	**Closing balance $**
Cost				
Land	1,195	—	(411)	784
Building components	6,228	167	(1,041)	5,354
Leasehold improvements	13,705	230	(643)	13,292
Office furniture and equipment	1,831	101	(222)	1,710
Computer hardware	2,634	927	(640)	2,921
Plant and warehouse equipment	3,911	130	(176)	3,865
Store equipment and fixtures	3,764	523	(664)	3,623
Motor vehicles	77	—	—	77
Total	33,345	2,078	(3,797)	31,626

	Opening balance $	**Depreciation $**	**Disposals $**	**Closing balance $**
Accumulated depreciation				
Land	—	—	—	—
Building components	2,431	108	(990)	1,549
Leasehold improvements	6,108	1,345	(637)	6,816
Office furniture and equipment	1,154	152	(235)	1,071
Computer hardware	1,716	356	(635)	1,437
Plant and warehouse equipment	1,878	353	(176)	2,055
Store equipment and fixtures	2,558	476	(650)	2,384
Motor vehicles	42	16	—	58
Total	15,887	2,806	(3,323)	15,370
Net book value	17,458	(728)	(474)	16,256

7. INTANGIBLE ASSETS

	April 7, 2012			April 2, 2011	April 4, 2010
	Cost **$**	**Accumulated amortization** **$**	**Net book value** **$**	**Net book value** **$**	**Net book value** **$**
Trademark	**204**	**—**	**204**	204	204
Computer software	**9,797**	**4,245**	**5,552**	4,398	3,879
	10,001	**4,245**	**5,756**	4,602	4,083

	April 7, 2012			
	Opening balance **$**	**Additions/ amortization** **$**	**Disposals** **$**	**Closing balance** **$**
Cost				
Trademark	**204**	**—**	**—**	**204**
Computer software	**7,734**	**2,214**	**(151)**	**9,797**
Total	**7,938**	**2,214**	**(151)**	**10,001**
Accumulated amortization				
Trademark	**—**	**—**	**—**	**—**
Computer software	**3,336**	**1,060**	**(151)**	**4,245**
Total	**3,336**	**1,060**	**(151)**	**4,245**
Net book value	**4,602**	**1,154**	**—**	**5,756**

	April 2, 2011			
	Opening balance $	**Additions/ amortization $**	**Disposals $**	**Closing balance $**
Cost				
Trademark	204	—	—	204
Computer software	6,478	1,395	(139)	7,734
Total	6,682	1,395	(139)	7,938
Accumulated amortization				
Trademark	—	—	—	—
Computer software	2,599	872	(135)	3,336
Total	2,599	872	(135)	3,336
Net book value	4,083	523	(4)	4,602

8. ACCOUNTS RECEIVABLE

Accounts receivable include the following:

	April 7, 2012 $	**April 2, 2011 $**	**April 4, 2010 $**
Accounts receivable	**4,828**	5,079	5,885
Beer commissions receivable	**5,575**	4,497	5,360
Total	**10,403**	9,576	11,245

For the year ended April 7, 2012, approximately 98% (April 2, 2011 – 96%) of the accounts receivable balance is current.

9. INVENTORIES

	April 7, 2012 $	**April 2, 2011 $**	**April 4, 2010 $**
Distribution Centres	**17,741**	16,692	17,058
Branch stores	**10,057**	9,428	8,830
Stock in transit	**5,883**	5,923	4,930
Raw materials	**1,021**	659	952
	34,702	32,702	31,770

The total value of inventory expensed to cost of sales for the period ended April 7, 2012 was $95.6 million (April 2, 2011 - $87.2 million).

The inventory value includes a reserve of $0.2 million (April 2, 2011 - $0.1 million).

10. EMPLOYEE BENEFITS

Employee benefits include the following:

Accrued severance

	April 7, 2012 $	**April 2, 2011 $**
Accrued severance, beginning of period	**3,130**	2,854
Benefit expense	**599**	494
Benefits paid	**(364)**	(218)
Accrued severance, end of period	**3,365**	3,130

Accrued sick leave

	April 7, 2012 $	April 2, 2011 $
Accrued sick leave, beginning of period	**1,245**	1,211
Benefit expense	**671**	715
Benefits paid	**(671)**	(681)
Accrued sick leave, end of period	**1,245**	1,245
Total employee benefits	**4,610**	4,375

The significant assumptions used by the Corporation in calculating the provisions are as follows:

	April 7, 2012 %	April 2, 2011 %
Salary increases	**2.0**	2.0
Discount rate	**4.0**	4.0

Employee retention rates used vary depending on age and length of service.

Pension plan

The Corporation's share of pension expense paid to the PSPP for the 53 weeks ended April 7, 2012 is $1.7 million (April 2, 2011 - $1.6 million).

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	April 7, 2012 $	April 2, 2011 $	April 4, 2010 $
Trade payables	**6,075**	3,574	4,031
Accrued liabilities	**5,643**	8,142	7,493
Excise duties	**11,572**	8,675	9,390
HST payable	**2,035**	1,996	1,811
Other payables	**2,448**	2,288	1,819
	27,773	24,675	24,544

12. SALES

Sales include the following:

	April 7, 2012 **$**	**April 2, 2011** **$**
Sales of beverage alcohol	**217,423**	201,173
Other	**6,937**	5,194
	224,360	206,367

13. ADMINISTRATIVE AND OPERATING EXPENSES

	April 7, 2012 **$**	**April 2, 2011** **$**
Salaries and employee benefits	**27,955**	26,705
Amortization	**3,645**	3,680
Marketing	**3,089**	2,579
Rent and municipal taxes	**2,744**	2,629
Interest and bank charges	**1,855**	1,761
Other	**6,834**	6,480
	46,122	43,834

14. CAPITAL MANAGEMENT

The Corporation defines capital that it manages as net assets. Due to its nature as a Crown Corporation, NLC's capital management is strongly influenced by the liquidity forecasts of the Province, and although the Corporation prepares its own budget, including proposed distributions, the Province may at any time decide to request an additional distribution or to increase the distributions as included in the budget. Generally, the Corporation aims at maintaining a net assets balance that ensures the Corporation is able to fund its obligations as they fall due and has available a reserve to allow for unexpected expenditure. Annual budgets and distribution plans are set to accommodate the Corporation's expenditures in relation to planned investments in property, plant and equipment and intangible assets.

15. FINANCIAL INSTRUMENTS

(a) Market risk - foreign currency exposure

The Corporation purchases beverage alcohol internationally and is therefore exposed to market risk related to foreign currency exchange rate fluctuations. Such exposure arises from purchases of beverage alcohol in currencies other than Canadian dollars. Approximately 5% of the Corporation's purchases are denominated in currencies other than Canadian dollars. To perform a sensitivity analysis, the Corporation assessed the risk of loss in fair values due to the impact of hypothetical changes in foreign currency exchange rates on monetary assets and liabilities denominated in currencies other than Canadian dollars. The Corporation's primary exposures to foreign currency exchange rate fluctuations are the Euro, U.S. dollar, Australian dollar, British pound sterling and New Zealand dollar. For the 53 weeks ended April 7, 2012, the potential decrease or increase in comprehensive income from a hypothetical, instantaneous 10% increase or decrease in the April 7, 2012 quoted foreign currency spot rates applied to the above currency denominated monetary assets and liabilities included in the statement of financial position would have been approximately $0.04 million (April 2, 2011 - $0.01 million).

To mitigate the potential risk with respect to foreign currency exchange rate fluctuations, the Corporation periodically adjusts the landed cost of its products to account for changing foreign currency exchange rates. The Corporation's retail prices are calculated in reference to landed cost.

(b) Credit risk

The Corporation is exposed to credit risk with respect to accounts receivable from customers. The Corporation provides products to a large customer base, which minimizes the concentration of credit risk. There were two customers that accounted for 10% or more of the Corporation's accounts receivable as at April 7, 2012 (April 2, 2011 – two customers). The Corporation has credit evaluation, approval and monitoring processes intended to mitigate potential credit risks, and utilizes internal and third-party collections processes for overdue accounts. Accounts receivable balances related to Liquor Express store operations are subject to general security agreements. The Corporation also maintains provisions for potential credit losses that are assessed on an ongoing basis.

(c) Liquidity risk

The Corporation is exposed to liquidity risk with respect to its contractual obligations and financial liabilities. The Corporation manages liquidity risk by maintaining adequate cash and cash equivalents. The Corporation believes that cash and cash equivalents on hand and future cash flows generated by operations will be adequate to meet its financial obligations. All of the Corporation's financial liabilities are due within one year.

(d) Fair values

Fair value estimates are made as of a specific point in time, using available information about the financial instruments and current market conditions. The estimates are subjective in nature involving uncertainties and judgment. The carrying values of financial instruments included in current assets and current liabilities on the statement of financial position approximate their fair values, reflecting the short-term maturity and normal trade credit terms of these instruments.

16. COMMITMENTS

The Corporation has entered into rental leases covering most of its corporate stores.

Annual lease obligations are as follows:

	April 7, 2012 **$**	**April 2, 2011** **$**
Within one year	**2,539**	2,217
After one year but no more than five years	**9,309**	7,100
More than five years	**4,280**	5,330

On June 1, 2012, NLC entered into a contract to construct a new warehouse facility. The estimated cost of this warehouse, including land purchase, is $12.6 million. The estimated completion date is March 2013.

17. RELATED PARTY TRANSACTIONS

The Corporation is leasing office and warehouse space in St. John's from the Department of Works, Services and Transportation. These leases are rent free to the Corporation; however, all operating, leasehold and maintenance costs related to the buildings are the responsibility of the Corporation.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of NLC, being the members of the Executive Management (CEO/President, Senior Vice President & CFO, Vice President of Sales and Marketing, Vice President of Supply Chain Management, and Vice President of Human Resources and Corporate Administration). The total compensation (including salary and benefits) paid to key management personnel for the 53 weeks ended April 7, 2012 was $0.8 million (April 2, 2011 - $0.8 million).

NEWFOUNDLAND AND LABRADOR
MUNICIPAL FINANCING CORPORATION

FINANCIAL STATEMENTS

31 MARCH 2011

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

To the Board of Directors
Newfoundland and Labrador Municipal Financing
Corporation
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Newfoundland and Labrador Municipal Financing Corporation which comprise the balance sheet as at 31 March 2011 and the statement of revenues, expenses and surplus, and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Auditor's Report (cont.)

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Newfoundland and Labrador Municipal Financing Corporation as at 31 March 2011 and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

JOHN L. NOSEWORTHY, CA
Auditor General

21 July 2011
St. John's, Newfoundland and Labrador

NEWFOUNDLAND AND LABRADOR MUNICIPAL FINANCING CORPORATION
BALANCE SHEET

31 March	2011	2010
	(000's)	(000's)
ASSETS		
Current		
Cash and term deposits	**$ 4,117**	$ -
Investment - coupons (at cost) (Note 2)	**344**	662
- earned interest receivable	**497**	803
Accounts receivable	**4,502**	6,800
Accrued interest receivable	**562**	765
Current portion of loans receivable (Note 3)	**17,907**	20,469
	27,929	29,499
Long-term investment – coupons (Note 2)	**313**	657
Long-term loans receivable (Note 3)	**68,316**	86,223
Deferred charges (Note 4)	**136**	200
	$ 96,694	$ 116,579
LIABILITIES AND SURPLUS		
Current		
Bank indebtedness	**$ -**	$ 985
Accounts payable and accrued liabilities	**27**	52
Accrued interest payable	**391**	622
Current portion of debenture debt (Note 5)	**25,116**	18,566
Current portion of deferred revenue (Note 6)	**41**	68
	25,575	20,293
Long-term debenture debt (Note 5)	**55,262**	80,378
Long-term deferred revenue (Note 6)	**64**	105
Reserve fund (Note 7)	**4,727**	6,770
	85,628	107,546
Surplus	**11,066**	9,033
	$ 96,694	$ 116,579

See accompanying notes

Signed on behalf of the Board of Directors:

Chairperson

Director

NEWFOUNDLAND AND LABRADOR MUNICIPAL FINANCING CORPORATION

STATEMENT OF REVENUES, EXPENSES AND SURPLUS

For the Year Ended 31 March	2011	2010
	(000's)	(000's)
REVENUES		
Interest on loans to municipal corporations	$ 7,199	$ 9,075
Short-term interest	89	121
Amortization of deferred revenue:		
Prepayment penalties	68	89
	7,356	9,285
EXPENSES		
Administrative and miscellaneous	126	125
Amortization of deferred charges:		
Issue expenses on debenture debt	45	59
Premiums and discounts on debenture debt	19	24
Interest on long-term debt	5,126	6,302
Interest - other	7	53
	5,323	6,563
Excess of revenues over expenses	2,033	2,722
Surplus, beginning of year	9,033	6,311
Surplus, end of year	$ 11,066	$ 9,033

See accompanying notes

NEWFOUNDLAND AND LABRADOR MUNICIPAL FINANCING CORPORATION
STATEMENT OF CASH FLOWS

For the Year Ended 31 March	2011	2010
	(000's)	(000's)
Cash flows from operating activities		
Excess of revenues over expenses	$ 2,033	$ 2,722
Add (deduct) non-cash items:		
Amortization of prepayment penalties	(68)	(89)
Accrued interest income on coupons	(48)	(91)
Amortization of issue expenses on debenture debt	45	59
Amortization of premiums and discounts on debenture debt	19	24
	1,981	2,625
Change in non-cash working capital	2,245	(523)
	4,226	2,102
Cash flows from financing activities		
Retirement of debenture debt	(18,566)	(20,466)
Reserve fund advances received	-	5,000
Reserve fund allocations made	(2,043)	-
Prepayment penalties received	-	2
	(20,609)	(15,464)
Cash flows from investing activities		
Investment - coupons redeemed	1,016	1,781
Loan payments received from municipal corporations	20,469	23,359
	21,485	25,140
Increase in cash / decrease in bank indebtedness	5,102	11,778
Bank indebtedness, beginning of year	(985)	(12,763)
Cash and term deposits (bank indebtedness), end of year	$ 4,117	$ (985)

See accompanying notes

Authority

Newfoundland and Labrador Municipal Financing Corporation (the Corporation) was created by the *Municipal Financing Corporation Act*. The Corporation was established to provide long-term financing for the capital requirements of municipal corporations by the issuance of its securities, and relending the funds to municipal corporations. The Corporation's affairs are managed by a Board of Directors appointed by the Lieutenant-Governor in Council. All board members are full-time employees of the Province of Newfoundland and Labrador (the Province).

1. Summary of significant accounting policies

These financial statements have been prepared by the Corporation's management in accordance with Canadian generally accepted accounting principles. Outlined below are the significant accounting policies followed.

(a) Premiums, discounts and issue expenses on debenture debt

Premiums, discounts and issue expenses are deferred and amortized on a straight line basis over the life of the debenture issue to which they relate. In the case of the early retirement of debenture debt, a proportionate amount of the deferred balance is included with the gain or loss in the determination of net income for the period.

(b) Deferred revenue

Penalties are charged when municipal corporations prepay all or a portion of their loans with the Corporation. These penalties are deferred and amortized on a straight line basis over the average years remaining for these loans prior to payout.

2. Investments

The short-term portion of investments consists of 28 Government of Canada coupons that were purchased between 30 December 1997 and 22 September 2005, and mature on 1 June 2011 and 1 December 2011. Settlement values of these securities ranged from $106 to $19,292 with a total cost of $344,351 (2010 - $662,215), while maturity values range from $167 to $36,838 and have a total maturity value of $611,755.

The long-term portion of these coupons matures between 1 June 2012 and 1 December 2016. Settlement values of these securities ranged from $103 to $17,523 with a total cost of $312,997 (2010 - $657,348), while maturity values range from $167 to $36,838 and have a total maturity value of $595,165.

3. Loans receivable

	2011 (000's)	2010 (000's)
Loans receivable from municipal corporations	$ 86,223	$ 106,692
Less: current portion	(17,907)	(20,469)
Long-term portion	$ 68,316	$ 86,223

Loans to municipal corporations are made on the security of their debentures. Provisions exist for the recovery from the Province of any defaults by municipal corporations. Therefore, no allowance for doubtful accounts has been provided.

Principal payments receivable in each of the next five (5) years are as follows:

Year	Amount (000's)
2012	$17,907
2013	$16,602
2014	$14,168
2015	$11,643
2016	$ 9,297

4. Deferred charges

	2011 (000's)	2010 (000's)
Issue expenses on debenture debt	$ 97	$ 142
Premiums and discounts on debenture debt	39	58
	$ 136	$ 200

5. Debenture debt

The Corporation's debenture debt is unconditionally and fully guaranteed as to principal, interest and sinking fund payments, if any, by the Province. Details of long-term debt outstanding at 31 March 2011 are as follows:

Series	Remaining Term	Interest Rate	**2011**	2010	
		%	**(000's)**	(000's)	
MFC-36			**$ -**	$ 1,250	
MFC-37			**-**	2,000	
MFC-38	1 Jun 2011-13	5.875 - 6.000	**3,750**	5,000	(a)
MFC-39	16 Dec 2011-13	6.000 - 6.125	**3,000**	4,000	(b)
MFC-40	14 Dec 2011-14	6.800 - 6.850	**4,000**	5,000	(c)
MFC-41			**-**	1,000	
MFC-42	5 Apr 2011	5.900	**2,500**	4,200	(d)
MFC-43	20 Sep 2011-16	6.125 - 6.500	**12,800**	15,600	(e)
MFC-44	15 Mar 2012-17	5.875 - 6.125	**6,000**	7,000	(f)
MFC-45	26 Mar 2012-13	5.250 - 5.375	**12,000**	14,000	(g)
MFC-46	15 Feb 2012	5.200	**10,000**	10,000	
MFC-47	17 Mar 2012-19	4.550 - 5.200	**10,128**	11,394	(h)
MFC-48	29 Mar 2012-20	4.550 - 5.200	**16,200**	18,500	(i)
Total			**80,378**	98,944	
Less: current portion			**(25,116)**	(18,566)	
Long-term portion			**$ 55,262**	$ 80,378	

(a) MFC-38: On 1 June of each year, the Corporation is to redeem $1,250,000 in the years 2011 to 2013 inclusive.

(b) MFC-39: On 16 December of each year, the Corporation is to redeem $1,000,000 in the years 2011 to 2013 inclusive.

(c) MFC-40: On 14 December of each year, the Corporation is to redeem $1,000,000 in the years 2011 to 2014 inclusive.

(d) MFC-42: On 5 April 2011, the Corporation is to redeem $2,500,000

(e) MFC-43: On 20 September of each year, the Corporation is to redeem $2,800,000 in the year 2011 and $2,000,000 in the years 2012 to 2016 inclusive.

5. Debenture debt (cont.)

(f) MFC-44: On 15 March of each year, the Corporation is to redeem $1,000,000 in the year 2012 to 2017 inclusive.

(g) MFC-45: On 26 March of each year, the Corporation is to redeem $2,000,000 in the year 2012 and $10,000,000 in the year 2013.

(h) MFC-47: On 17 March of each year, the Corporation is to redeem $1,266,000 in the years 2012 to 2019 inclusive.

(i) MFC-48: On 29 March of each year, the Corporation is to redeem $2,300,000 in the years 2012 to 2015 inclusive and $1,400,000 in the years 2016 to 2020 inclusive.

Estimated debenture maturities over the next five (5) years are as follows:

Year Ending 31 March	Debenture Maturities (000's)
2012	$25,116
2013	$19,816
2014	$ 9,816
2015	$ 7,566
2016	$ 5,666

6. Deferred revenue

	2011 (000's)	2010 (000's)
Deferred revenue	$ 105	$ 173
Less: current portion	(41)	(68)
Long-term portion	$ 64	$ 105

7. Reserve fund

The Province has historically funded a reserve fund established to mitigate arrears with respect to municipal loans. The reserve fund is allocated as the Department of Municipal Affairs concludes negotiations with various municipal corporations with respect to restructuring debt due to the Corporation.

The year end reserve fund balance is as follows:

	2011 (000's)	2010 (000's)
Reserve fund, beginning of year	$ 6,770	$ 1,770
Add: funds advanced to Corporation during year	-	5,000
Less: funds allocated during year	(2,043)	-
Reserve fund, end of year	$ 4,727	$ 6,770

8. Financial instruments

The Corporation's short-term financial instruments recognized on the balance sheet consist of cash and term deposits, short-term investments, accounts receivable, accrued interest receivable, accounts payable and accrued liabilities, and accrued interest payable. The carrying values of these instruments approximate current fair value due to their nature and the short-term maturity associated with them. Since provisions exist for the recovery from the Province of any defaults by municipal corporations there is no credit risk associated with the Corporation's accounts receivable.

The Corporation's long-term financial instruments recognized on the balance sheet consist of long-term investments, long-term loans receivable and long-term debenture debt. The Corporation's policy is to hold its long-term investments to maturity, therefore their reported value is current fair value to the Corporation. Since provisions exist for the recovery from the Province of any defaults by municipal corporations there is no credit risk associated with the Corporation's long-term loans receivable and therefore, the amount presented in the balance sheet is the same as current fair value of the asset.

The majority of the Corporation's long-term debt is issued as serial debentures which are redeemed over a number of years at varying interest rates. In addition, the Corporation's long-term debenture debt was used to finance loans to the Province's various municipalities. The rates charged by the Corporation to these municipalities were calculated using the rates the Corporation was required to pay on its related debenture debt plus an additional percentage. Because provisions exist for the recovery from the Province of any defaults by municipal corporations and because the long-term debenture debt of the Corporation is specifically tied to these receivables, the long-term debenture debt as presented in the balance sheet is presented at current fair value and the Corporation is not subject to any rate risk relating to this debt.

9. Economic dependence

As a result of cost-sharing arrangements, the loans receivable from municipal corporations disclosed in Note 3 are serviced by both the municipal corporations and the Province. Due to the nature of these arrangements, the Province is in effect repaying a significant portion of the loans owing to the Corporation. Provisions exist for the recovery from the Province of any defaults by municipal corporations.

The Corporation's debentures are fully guaranteed by the Province as to principal, interest and sinking fund payments, if any. As at 31 March 2011, this guarantee covered net debenture debt and accrued interest totalling $80,769,000 (2010 - $99,566,000).

As a result, the Corporation's continued existence is dependent upon the decisions of the Province.

10. Related party transactions

The Corporation is administered by employees of the Department of Finance. The salary costs of these employees are paid by the Department of Finance, reimbursed by the Corporation, and are reflected in these financial statements.

11. Income taxes

The Corporation is a Crown corporation of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

12. Planned wind down of operations

The Province of Newfoundland and Labrador has decided that it will no longer refinance its portion of completed municipal capital projects through the Corporation. As a result, the Corporation will be winding up its operations over the coming years as it collects its loans receivable and repays its debenture debt.

NEWFOUNDLAND AND LABRADOR MUNICIPAL FINANCING CORPORATION

FINANCIAL STATEMENTS

31 MARCH 2012

Management's Report

Management's Responsibility for the Newfoundland and Labrador Municipal Financing Corporation Financial Statements

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that transactions are properly authorized, assets are safeguarded and liabilities are recognized.

Management is also responsible for ensuring that transactions comply with relevant policies and authorities and are properly recorded to produce timely and reliable financial information.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Board. The Board reviews external audited financial statements yearly.

The Auditor General conducts an independent audit of the annual financial statements of the Corporation, in accordance with Canadian generally accepted auditing standards, in order to express an opinion thereon. The Auditor General has full and free access to financial management of the Newfoundland and Labrador Municipal Financing Corporation.

On behalf of the Newfoundland and Labrador Municipal Financing Corporation.

Laurie Skinner

Laurie Skinner, CA
Chairperson

Paul Myrden, CA
Director, Debt Management

28 August 2012

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

To the Board of Directors
Newfoundland and Labrador Municipal
Financing Corporation
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Newfoundland and Labrador Municipal Financing Corporation which comprise the statement of financial position as at 31 March 2012, 31 March 2011 and 1 April 2010, the statements of operations and accumulated surplus, change in net financial assets, and cash flows for the years ended 31 March 2012 and 31 March 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Auditor's Report (cont.)

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Newfoundland and Labrador Municipal Financing Corporation as at 31 March 2012, 31 March 2011 and 1 April 2010 and its financial performance and its cash flows for the years ended 31 March 2012 and 21 March 2011 in accordance with Canadian public sector accounting standards.

Sandra Russell

SANDRA RUSSELL, CA
Deputy Auditor General

28 August 2012
St. John's, Newfoundland and Labrador

NEWFOUNDLAND AND LABRADOR MUNICIPAL FINANCING CORPORATION
STATEMENT OF FINANCIAL POSITION
As at

	31 March 2012	31 March 2011	1 April 2010
	(000's)	(000's) Restated (Note 2)	(000's) Restated (Note 2)
FINANCIAL ASSETS			
Cash and term deposits	$ -	$ 4,117	$ -
Investment - coupons (at cost) (Note 5)	313	657	1,319
- earned interest receivable	262	497	803
Accounts receivable	3,913	4,502	6,800
Accrued interest receivable	379	562	765
Loans receivable (Note 6)	68,279	86,223	106,692
	73,146	96,558	116,379
LIABILITIES			
Bank indebtedness	373	-	985
Accounts payable and accrued liabilities	47	27	52
Accrued interest payable	205	391	622
Debenture debt (Note 7)	55,262	80,378	98,944
Reserve fund (Note 8)	4,581	4,727	6,770
	60,468	85,523	107,373
Net financial assets	12,678	11,035	9,006
NON-FINANCIAL ASSETS			
Deferred charges (Note 9)	88	136	200
Accumulated surplus	$ 12,766	$ 11,171	$ 9,206

The accompanying notes are an integral part of these financial statements.

Signed on behalf of the Board of Directors: Laurie Skinner

Chairperson

Director

NEWFOUNDLAND AND LABRADOR MUNICIPAL FINANCING CORPORATION
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
For the Year Ended 31 March

	2012 Budget	2012 Actual	2011 Actual
	(000's) (Note 12)	(000's)	(000's) Restated (Note 2)
REVENUES			
Interest on loans to municipal corporations	$ 5,704	$ 5,705	$ 7,199
Interest on investments	83	89	89
Prepayment penalties	-	6	-
	5,787	5,800	7,288
EXPENSES			
Administrative and miscellaneous	117	112	126
Amortization of deferred charges:			
Issue expenses on debenture debt	35	35	45
Premiums and discounts on debenture debt	13	13	19
Interest on long-term debt	4,045	4,045	5,126
Interest - other	-	-	7
	4,210	4,205	5,323
Annual surplus	1,577	1,595	1,965
Accumulated surplus, beginning of year	11,171	11,171	9,206
Accumulated surplus, end of year	$ 12,748	$ 12,766	$ 11,171

The accompanying notes are an integral part of these financial statements.

NEWFOUNDLAND AND LABRADOR MUNICIPAL FINANCING CORPORATION
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
For the Year Ended 31 March

	2012 Budget	2012 Actual	2011 Actual
	(000's) (Note 12)	(000's)	(000's) Restated (Note 2)
Annual surplus	$ 1,577	$ 1,595	$ 1,965
Use of deferred charges	48	48	64
Increase in net financial assets	1,625	1,643	2,029
Net financial assets, beginning of year	11,035	11,035	9,006
Net financial assets, end of year	$ 12,660	$ 12,678	$ 11,035

The accompanying notes are an integral part of these financial statements.

NEWFOUNDLAND AND LABRADOR MUNICIPAL FINANCING CORPORATION
STATEMENT OF CASH FLOWS

For the Year Ended 31 March	2012	2011
	(000's)	(000's) Restated (Note 2)
Operating transactions		
Annual surplus	$ 1,595	$ 1,965
Adjustment for non-cash items		
Accrued interest income on coupons	(24)	(48)
Amortization of issue expenses on debenture debt	35	45
Amortization of premiums and discounts on debenture debt	13	19
	1,619	1,981
Change in non-cash working capital	606	2,245
Cash provided from operating transactions	2,225	4,226
Investing transactions		
Investment - coupons redeemed	603	1,016
Loan payments received from municipal corporations	17,944	20,469
Cash provided from investing transactions	18,547	21,485
Financing transactions		
Retirement of debenture debt	$ (25,116)	$ (18,566)
Reserve fund allocations made	(146)	(2,043)
Cash applied to financing transactions	(25,262)	(20,609)
Increase in cash/decrease in bank indebtedness (decrease in cash/increase in bank indebtedness)	(4,490)	5,102
Cash and term deposits (bank indebtedness), beginning of year	4,117	(985)
Cash and term deposits (bank indebtedness), end of year	$ (373)	$ 4,117

The accompanying notes are an integral part of these financial statements.

1. Nature of operations

The Newfoundland and Labrador Municipal Financing Corporation (the Corporation) is a Crown corporation of the Province of Newfoundland and Labrador, established under the *Municipal Financing Corporation Act*. The purpose of the Corporation is to provide long-term financing for the capital requirements of municipal corporations by the issuance of its securities, and relending the funds to municipal corporations. The Corporation's affairs are managed by a Board of Directors appointed by the Lieutenant-Governor in Council. All board members are full-time employees of the Province of Newfoundland and Labrador (the Province). The Corporation is a Crown entity of the Province and as such is not subject to Provincial or Federal income taxes.

2. Conversion to Canadian Public Sector Accounting Standards

Commencing with the 2012 fiscal year, the Corporation has adopted Canadian public sector accounting standards (PSAS). These financial statements are the first financial statements for which the Corporation has applied Canadian public sector accounting standards. The changeover became effective on 1 April 2011 with retroactive application to 1 April 2010.

In accordance with Section PS 2125, *First-time Adoption by Government Organizations*, the Corporation has prepared reconciliations to enable readers to understand the effects of the changeover on its comparative results and its financial position.

Statement of operations reconciliation

The following table presents the reconciliation of the statement of operations from the previous reporting framework to the current method of presentation for the year ended 31 March 2011.

2. Conversion to Canadian Public Sector Accounting Standards (cont.)

Statement of operations	Canadian generally accepted accounting principles 31 March 2011	Adjustments	Canadian public sector accounting standards 31 March 2011
REVENUES			
Interest on loans to municipal corporations	$ 7,199	$ -	$ 7,199
Short term interest	89	-	89
Amortization of deferred revenue:			
Prepayment penalties	68	(68)	-
	7,356	(68)	7,288
EXPENSES			
Administrative and miscellaneous	126	-	126
Amortization of deferred charges:			
Issue expenses on debenture debt	45	-	45
Premiums and discounts on debenture debt	19	-	19
Interest on long-term debt	5,126	-	5,126
Interest - other	7	-	7
	5,323	-	5,323
Annual surplus	$ 2,033	$ (68)	$ 1,965

Statement of financial position reconciliation

The following tables present the reconciliation of the statement of financial position from the previous reporting framework to the current method of presentation at 31 March 2011 and at the transition date 1 April 2010.

2. Conversion to Canadian Public Sector Accounting Standards (cont.)

Statement of financial position	Canadian generally accepted accounting principles 31 March 2011	Adjustments	Canadian public sector accounting standards 31 March 2011
FINANCIAL ASSETS			
Cash and term deposits	$ 4,117	$ -	$ 4,117
Investment - coupons (at cost)	657	-	657
- earned interest receivable	497	-	497
Accounts receivable	4,502	-	4,502
Accrued interest receivable	562	-	562
Loans receivable	86,223	-	86,223
	96,558	-	96,558
LIABILITIES			
Bank indebtedness	-	-	-
Accounts payable and accrued liabilities	27	-	27
Accrued interest payable	391	-	391
Debenture debt	80,378	-	80,378
Deferred revenue	105	(105)	-
Reserve fund	4,727	-	4,727
	85,628	(105)	85,523
Net financial assets	10,930	105	11,035
NON-FINANCIAL ASSETS			
Deferred charges	136	-	136
Accumulated surplus	$ 11,066	$ 105	$ 11,171

2. Conversion to Canadian Public Sector Accounting Standards (cont.)

Statement of financial position	Canadian generally accepted accounting principles 1 April 2010	Adjustments	Canadian public sector accounting standards 1 April 2010
FINANCIAL ASSETS			
Cash and term deposits	$ -	$ -	$ -
Investment - coupons (at cost)	1,319	-	1,319
- earned interest receivable	803	-	803
Accounts receivable	6,800	-	6,800
Accrued interest receivable	765	-	765
Loans receivable	106,692	-	106,692
	116,379	-	116,379
LIABILITIES			
Bank indebtedness	985	-	985
Accounts payable and accrued liabilities	52	-	52
Accrued interest payable	622	-	622
Debenture debt	98,944	-	98,944
Deferred revenue	173	(173)	-
Reserve fund	6,770	-	6,770
	107,546	(173)	107,373
Net financial assets	8,833	173	9,006
NON-FINANCIAL ASSETS			
Deferred charges	200	-	200
Accumulated surplus	$ 9,033	$ 173	$ 9,206

The above adjustments relate to deferred revenue. Under Canadian generally accepted accounting standards, the amounts received from municipal corporations as penalties for the early retirement of debt were deferred and then amortized into revenue over a 5 year period. Under Canadian PSAS, these amounts do not meet the definition of a liability. As a result, the balance of deferred revenue at the date of transition was reviewed and it was determined that the entire balance should be recognized as revenue in accordance with Canadian PSAS. Accordingly, adjustments were made to retroactively apply the standard.

3. Summary of significant accounting policies

(a) Basis of accounting

These financial statements are prepared by management in accordance with Canadian public sector accounting standards for provincial reporting entities established by the Canadian Public Sector Accounting Board (PSAB).

(b) Premiums, discounts and issue expenses on debenture debt

Premiums, discounts and issue expenses are deferred and amortized on a straight-line basis over the life of the debenture issue to which they relate. In the case of the early retirement of debenture debt, a proportionate amount of the deferred balance is included with the gain or loss in the determination of net income for the period.

(c) Investments

Investments include Government of Canada coupons recorded at the lower of cost or market value.

(d) Loans receivable

Loans receivable are recorded at cost. Provisions exist for the recovery from the Province of any defaults by municipal corporations and as such no allowance for doubtful accounts has been provided. Interest is accrued on loans receivable to the extent it is deemed collectible.

(e) Revenues

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

(f) Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is expensed.

4. Accounting pronouncements

In December 2010, the PSAB amended Section PS 3410, *Government Transfers*. The main changes pertain to recognition criteria for government transfers, affecting how the Corporation accounts for such transfers. These amendments are effective for fiscal years beginning on or after 1 April 2012, but earlier adoption is encouraged. The Corporation believes there to be no future impact with regard to this standard.

In March 2011, the PSAB approved new Section PS 3450, *Financial Instruments*, Section PS 2601 to replace current Section PS 2600, *Foreign Currency Translation* and Section PS 1201 to replace current Section PS 1200, *Financial Statement Presentation*. Government organizations are required to adopt the three sections in the same year. In addition, in March 2012, the PSAB approved Section PS 3041, *Portfolio Investments*, to replace Section PS 3040, *Portfolio Investments*. The four sections are effective 1 April 2012 for government organizations but earlier adoption is permitted. The Corporation is still evaluating the impact of adopting these new sections in the coming year.

5. Investments

Investments consist of 24 Government of Canada coupons that were purchased between 30 December 1997 and 10 June 2005, and mature between 1 June 2012 and 1 December 2016. Settlement values of these securities ranged from $103 to $17,523 with a total cost of $312,997 (2011 - $657,348, 2010 - $1,319,563), while maturity values range from $167 to $36,838 and have a total maturity value of $595,165.

6. Loans receivable

As at 31 March 2012, loans receivable from municipal corporations were $68,279,518 (2011 - $86,223,354, 2010 - $106,691,932). Interest rates range from 6.375% to 12.000%.

Loans to municipal corporations are made on the security of their debentures. Provisions exist for the recovery from the Province of any defaults by municipal corporations. Therefore, no allowance for doubtful accounts has been provided.

Principal payments receivable are as follows:

Year	Amount (000's)
2013	$ 16,590
2014	14,155
2015	11,630
2016	9,297
2017	6,980
Thereafter	9,627
	$ 68,279

7. Debenture debt

The Corporation's debenture debt is unconditionally and fully guaranteed as to principal, interest and sinking fund payments, if any, by the Province. Details of debt outstanding are as follows:

Series	Remaining Term	Interest Rate	**31 March 2012**	31 March 2011	1 April 2010	
		%	**(000's)**	(000's)		
MFC-36			**$ -**	$ -	$ 1,250	
MFC-37			**-**	-	2,000	
MFC-38	1 Jun 2012-13	5.875 - 6.000	**2,500**	3,750	5,000	(a)
MFC-39	16 Dec 2012-13	6.125	**2,000**	3,000	4,000	(b)
MFC-40	14 Dec 2012-14	6.800 - 6.850	**3,000**	4,000	5,000	(c)
MFC-41			**-**	-	1,000	
MFC-42			**-**	2,500	4,200	
MFC-43	20 Sep 2012-16	6.250 - 6.500	**10,000**	12,800	15,600	(d)
MFC-44	15 Mar 2013-17	5.875 - 6.125	**5,000**	6,000	7,000	(e)
MFC-45	26 Mar 2013	5.375	**10,000**	12,000	14,000	(f)
MFC-46			**-**	10,000	10,000	
MFC-47	17 Mar 2013-19	4.750 - 5.200	**8,862**	10,128	11,394	(g)
MFC-48	29 Mar 2013-20	4.700 - 5.200	**13,900**	16,200	18,500	(h)
Total			**$ 55,262**	$ 80,378	$ 98,944	

(a) MFC-38: On 1 June of each year, the Corporation is to redeem $1,250,000 in the years 2012 to 2013 inclusive.

(b) MFC-39: On 16 December of each year, the Corporation is to redeem $1,000,000 in the years 2012 to 2013 inclusive.

(c) MFC-40: On 14 December of each year, the Corporation is to redeem $1,000,000 in the years 2012 to 2014 inclusive.

(d) MFC-43: On 20 September of each year, the Corporation is to redeem $2,000,000 in the years 2012 to 2016 inclusive.

(e) MFC-44: On 15 March of each year, the Corporation is to redeem $1,000,000 in the year 2013 to 2017 inclusive.

(f) MFC-45: On 26 March 2013, the Corporation is to redeem $10,000,000.

(g) MFC-47: On 17 March of each year, the Corporation is to redeem $1,266,000 in the years 2013 to 2019 inclusive.

7. Debenture debt (cont.)

(h) MFC-48: On 29 March of each year, the Corporation is to redeem $2,300,000 in the years 2013 to 2015 inclusive and $1,400,000 in the years 2016 to 2020 inclusive.

Estimated debenture maturities are as follows:

Year Ending 31 March	Debenture Maturities (000's)
2013	$ 19,816
2014	9,816
2015	7,566
2016	5,666
2017	5,666
Thereafter	6,732
	$ 55,262

8. Reserve fund

The Province has historically funded a reserve fund established to mitigate arrears with respect to municipal loans. The reserve fund is allocated as the Department of Municipal Affairs concludes negotiations with various municipal corporations with respect to restructuring debt due to the Corporation.

The year end reserve fund balance is as follows:

	31 March 2012 (000's)	31 March 2011 (000's)	1 April 2010 (000's)
Reserve fund, beginning of year	**$ 4,727**	$ 6,770	$ 1,770
Add: funds advanced to Corporation during year	**-**	-	5,000
Less: funds allocated during year	**(146)**	(2,043)	-
Reserve fund, end of year	**$ 4,581**	$ 4,727	$ 6,770

9. Deferred charges

	31 March 2012 (000's)	31 March 2011 (000's)	1 April 2010 (000's)
Issue expenses on debenture debt	$ **62**	$ 97	$ 142
Premiums and discounts on debenture debt	**26**	39	58
	$ **88**	$ 136	$ 200

10. Financial instruments

The Corporation's financial instruments recognized on the statement of financial position consist of bank indebtedness, investments, accounts receivable, accrued interest receivable, accounts payable and accrued liabilities, accrued interest payable, loans receivable and debenture debt. With regard to bank indebtedness, the short-term portion of investments, accounts receivable, accrued interest receivable, accounts payable and accrued liabilities, and accrued interest payable, the carrying values of these financial instruments approximate current fair value due to their nature and the short-term maturity associated with them. Since provisions exist for the recovery from the Province of any defaults by municipal corporations, there is no credit risk associated with the Corporation's accounts receivable.

The Corporation's policy is to hold the long-term portion of its investments to maturity, therefore their reported value is current fair value to the Corporation.

The Corporation's loans receivable have fixed interest rates over the term of the receivables and provisions exist for the recovery from the Province of any defaults by municipal corporations. Therefore, there is no credit risk associated with the Corporation's loans receivable and the amount presented on the statement of financial position is the same as their current fair value.

The majority of the Corporation's debt is issued as serial debentures which are redeemed over a number of years at varying interest rates. In addition, the Corporation's debenture debt was used to finance loans to the Province's municipal corporations. The rates charged by the Corporation to these municipal corporations were calculated using the rates the Corporation was required to pay on its related debenture debt plus an additional percentage. Because the interest rates of the Corporation's debenture debt are fixed for the term of the debt, the Corporation is not subject to any interest rate risk relating to this debt and the debenture debt is presented at current fair value on the statement of financial position.

11. Related party transactions

The Corporation is administered by employees of the Department of Finance. The salary costs of $70,690 (2011 - $80,923) for these employees are paid by the Department of Finance, reimbursed by the Corporation, and are reflected in these financial statements.

12. Budgeted figures

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the House of Assembly of the Province of Newfoundland and Labrador.

13. Comparative figures

Certain comparative figures as at 31 March 2011 and 1 April 2010 and for the year ended 31 March 2011 have been reclassified to conform to current year's presentation.

14. Non-financial assets

The recognition and measurement of non-financial assets is based on their service potential. These assets will not provide resources to discharge liabilities of the Corporation. For non-financial assets, the future economic benefit consists of their capacity to render service to further the Corporation's objectives.

15. Planned wind down of operations

The Province of Newfoundland and Labrador has decided that it will no longer refinance its portion of completed municipal capital projects through the Corporation. As a result, the Corporation will be winding up its operations over the coming years as it collects its loans receivable and repays its debenture debt.

NEWFOUNDLAND AND LABRADOR
SPORTS CENTRE INC.

Financial Statements

Year Ended March 31, 2012

NOSEWORTHY CHAPMAN
CHARTERED ACCOUNTANTS

Suite 201, 516 Topsail Rd · St. John's, NL · A1E 2C5
Tel: (709) 364-5600 · Fax: (709) 368-2146
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INDEPENDENT AUDITOR'S REPORT

To the Directors of Newfoundland and Labrador Sports Centre Inc.

We have audited the accompanying financial statements of Newfoundland and Labrador Sports Centre Inc., which comprise the statement of financial position as at March 31, 2012 and the statements of revenues and expenditures, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Newfoundland and Labrador Sports Centre Inc. as at March 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Noseworthy Chapman

Chartered Accountants
St. John's, NL
June 20, 2012

NEWFOUNDLAND AND LABRADOR SPORTS CENTRE INC.

Statement of Financial Position

March 31, 2012

	2012	2011
ASSETS		
CURRENT		
Cash	$ 77,057	$ 159,989
Term deposits	302,888	-
Accounts receivable	8,008	333,341
Prepaid expenses	7,558	6,462
	395,511	499,792
CAPITAL ASSETS *(Note 5)*	6,981,431	7,273,112
	$ 7,376,942	$ 7,772,904
LIABILITIES		
CURRENT		
Accounts payable	$ 31,261	$ 63,756
Deferred contributions *(Note 6)*	277,375	396,987
	308,636	460,743
DEFERRED CAPITAL CONTRIBUTIONS *(Note 7)*	6,981,431	7,273,112
	7,290,067	7,733,855
NET ASSETS		
Unrestricted net assets	86,875	39,049
	$ 7,376,942	$ 7,772,904

ON BEHALF OF THE BOARD

_________________________ *Owner*

_________________________ *Owner*

See notes to financial statements

NEWFOUNDLAND AND LABRADOR SPORTS CENTRE INC.

Statement of Revenues and Expenditures

Year Ended March 31, 2012

	2012	2011
REVENUE		
Government grants	$ **536,000**	$ 381,000
Amortization of deferred capital contributions	**291,681**	291,681
Rental	**119,863**	109,516
Donation	**27,787**	15,513
Miscellaneous	**2,156**	1,722
Interest	**3,817**	-
	981,304	799,432
EXPENDITURES		
Advertising and promotion	**205**	406
Amortization	**291,681**	291,681
Insurance	**4,690**	4,674
Interest and bank charges	**155**	160
Memberships	**200**	518
Miscellaneous	**5,407**	417
Office	**3,414**	3,595
Online booking maintenance	**1,533**	1,506
Professional fees	**3,618**	3,519
Property taxes	**2,505**	982
Rental	-	1,172
Repairs and maintenance	**92,655**	44,103
Salaries and wages	**307,703**	311,273
Security	**1,443**	639
Supplies	**94,931**	24,774
Telephone	**1,871**	2,168
Training	**1,964**	757
Utilities	**118,590**	98,697
Vehicle	**913**	2,563
	933,478	793,604
EXCESS OF REVENUE OVER EXPENDITURES	$ **47,826**	$ 5,828

NEWFOUNDLAND AND LABRADOR SPORTS CENTRE INC.
Statement of Changes in Net Assets
Year Ended March 31, 2012

	2012	2011
NET ASSETS - BEGINNING OF YEAR	$ 39,049	$ 33,221
Excess of revenue over expenditures	47,826	5,828
NET ASSETS - END OF YEAR	$ 86,875	$ 39,049

NEWFOUNDLAND AND LABRADOR SPORTS CENTRE INC.
Statement of Cash Flows
Year Ended March 31, 2012

	2012	2011
OPERATING ACTIVITIES		
Cash receipts from government and customers	$ 891,527	$ 555,812
Cash paid to suppliers and employees	(675,233)	(458,374)
Interest received	3,817	-
Interest and bank charges paid	(155)	(160)
INCREASE IN CASH	219,956	97,278
Cash - beginning of year	159,989	62,711
CASH - END OF YEAR	$ 379,945	$ 159,989
CASH CONSISTS OF:		
Cash	$ 77,057	$ 159,989
Term deposits	302,888	-
	$ 379,945	$ 159,989

1. DESCRIPTION OF BUSINESS

Newfoundland and Labrador Sports Centre Inc. (the "organization") was incorporated under the Corporations Act of Newfoundland and Labrador on April 3, 2008. The organization is a Provincial Crown Corporation that provides a training centre for all sports available to the youth of the Province of Newfoundland and Labrador.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Future changes in significant accounting policies

The following accounting standards have been issued by the Canadian Institute of Chartered Accountants (CICA) but are not yet effective for the organization. The organization is currently evaluating the effect of adopting these standards, which it expects to do in fiscal year 2013.

The Accounting Standards Board implemented Part III of the CICA Handbook Accounting Standards for Not-for-Profit Organizations effective January 1, 2012. The organization will be assessing the impact of the new standards on its financial statements over the next year. Early adoption is permitted for the new standards.

Capital assets

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives at the following rates and methods:

Building	40 years	straight-line method
Equipment	5 years	straight-line method

Revenue recognition

The organization follows the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

Rental revenue is recognized on the accrual basis in accordance with the terms of the corresponding lease agreements.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

3. FINANCIAL INSTRUMENTS

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The organization is exposed to credit risk from customers. In order to reduce its credit risk, the organization reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The organization has a significant number of customers which minimizes concentration of credit risk.

Fair value

The organization's carrying value of cash, term deposits, accounts receivable, and accounts payable approximates its fair value due to the immediate or short term maturity of these instruments.

4. CAPITAL MANAGEMENT

The organization's objective when managing capital is to ensure its ability to meet operating commitments as they become due. This is achieved primarily by continuously monitoring its actual and projected cash flows and making adjustments to capital as necessary.

5. CAPITAL ASSETS

	Cost	Accumulated amortization	**2012 Net book value**	2011 Net book value
Land	$ 280,000	$ -	**$ 280,000**	$ 280,000
Building	7,452,549	856,485	**6,596,064**	6,782,378
Equipment	526,835	421,468	**105,367**	210,734
	$ 8,259,384	$ 1,277,953	**$ 6,981,431**	$ 7,273,112

6. DEFERRED CONTRIBUTIONS

The deferred contributions represent funding received from the Government of Newfoundland and Labrador and benefactors for specific programs and expenses that are to occur in the 2013 fiscal year.

7. DEFERRED CAPITAL CONTRIBUTIONS

Deferred contributions represent the unamortized value of the in-kind contribution of land, building and equipment to the Centre. In accordance with Canadian GAAP, the Centre has recognized the fair value of the assets contributed and is amortizing the contribution at the applicable rates that coincide with the donated assets.

The value of deferred contributions at March 31, 2012 is $6,981,431 (2011 - $7,273,112) (net of accumulated amortization of $1,277,953 (2011 - $986,272)).

NEWFOUNDLAND HARDWOODS LIMITED

Auditor's Report

Financial Statements

Year ended March 31, 2012

AUDITOR'S REPORT

To the Shareholders of Newfoundland Hardwoods Limited:

I have audited the accompanying financial statements of Newfoundland Hardwoods Limited, which comprise the statement of financial position as at March 31, 2012 and the statement of operations and accumulated surplus and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation and fair representation of these financial statements in accordance with Canadian Public Sector Accounting Standards, and for such internal controls as management determines necessary to enable the preparation of financial statements that are free of material misstatement, whether due to fraud or error.

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Newfoundland Hardwoods Limited as at March 31, 2012 and it's financial performance and it's cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

CHARTERED ACCOUNTANT

Clarenville, Newfoundland
June 12, 2012

NEWFOUNDLAND HARDWOODS LIMITED

Statement of Financial Position

March 31, 2012

	March 31 2012	March 31 2011	April 01 2010
Assets			
Financial assets:			
Cash and term deposits	$ 115,475	117,300	119,190
Liabilities and Shareholders' Equity			
Liabilities:			
Payables and accruals	$ 1,500	1,500	1,500
Contingent losses (Note 4)	--	--	--
Commitments (Note 5)	--	--	--
Shareholders' equity:			
Common shares of no par value:			
Authorized an unlimited number; issued and fully paid at stated value, 253 shares	25,300	25,300	25,300
Accumulated Surplus, per accompanying statement	88,675	90,500	92,390
Total shareholders' equity	113,975	115,800	117,690
	$ 115,475	117,300	119,190

See Accompanying Notes

Approved: ______________ Director

Charlie Jones ______________ Director

NEWFOUNDLAND HARDWOODS LIMITED

Statement of Operations and Accumulated Surplus

Year ended March 31, 2012

	2012	2011
Revenue	$ –	–
Administrative expenses:		
Bank charges	25	20
Professional and consulting fees	1,725	1,700
Licences and fees	75	170
	1,825	1,890
Net loss	(1,825)	(1,890)
Accumulated surplus, beginning of year	90,500	92,390
Accumulated surplus, end of year	$ 88,675	90,500

See Accompanying Notes

NEWFOUNDLAND HARDWOODS LIMITED

Statement of Cash Flows

Year ended March 31, 2012

	2012	2011
Cash provided by operating activities:		
Net loss	$ (1,825)	(1,890)
Decrease in cash	(1,825)	(1,890)
Cash, beginning of year	117,300	119,190
Cash, end of year	$ 115,475	117,300

See Accompanying Notes

NEWFOUNDLAND HARDWOODS LIMITED

Notes to the Financial Statements

March 31, 2012

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1. Nature of operations:

Newfoundland Hardwoods Limited is a Crown Corporation established in 1950 under the Corporations Act. Initially the Corporation was established for the purpose of manufacturing liquid asphalt and the sale of chemically treated poles and timber. The Corporation sold its property, equipment and inventory in 1996 and ceased active operations at that date. Since 1996 the Corporation has been dealing with any and all matters that may arise subsequent to the sale.

Newfoundland Hardwoods Limited is classified as a category three entity under the Transparency and Accounting Act.

Newfoundland Hardwoods Limited is exempt from income taxes under the Income Tax Act.

2. Conversion to Public Sector Accounting Standards:

Commencing with the 2012 fiscal year, Newfoundland Hardwoods Limited has adopted Canadian Public Sector Accounting ("PSA") Standards. These financial statements are the first financial statements for which the Corporation has applied Canadian Public Sector Accounting Standards.

The conversion to Canadian Public Sector Accounting Standards had no impact on the retained earnings at the date of transition and thus there was no need for retroactive restatement of prior periods.

3. Summary of Significant Accounting Policy:

These financial statements are prepared by Management in accordance with Canadian Public Sector Accounting Standards for provincial reporting entities established by the Canadian Public Sector Accounting Board.

4. Contingent losses:

Environmental concerns:

The Government of Newfoundland and Labrador, through an environmental indemnity, has released the current owner of any and all present and future liabilities which may result from the presence, release, loss, discharge, leakage or spillage of hazardous material on, at or from the properties formerly owned and operated by Newfoundland Hardwoods Limited up to the date of the said agreements.

5. Commitments:

The company had committed to the dismantling and removal of five surplus storage tanks from the present location. As of the balance sheet date, four of these tanks have been removed and the costs of such have been reflected in these financial statements.

Grant Thornton

Consolidated Financial Statements

Newfoundland Ocean Enterprises Limited

March 31, 2012

Statement of responsibility

The accompanying consolidated financial statements are the responsibility of the management of the Newfoundland Ocean Enterprises Limited (the "Corporation") and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that financial information produced is relevant and reliable.

Management has met with its external auditors to review a draft of the consolidated financial statements and to discuss any significant financial reporting or internal control matters prior to their approval of the finalized Consolidated Financial Statements.

Grant Thornton LLP as the Corporation's appointed external auditors, have audited the consolidated financial statements. The auditor's report is addressed to the Directors of the Corporation and appears on the following page. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to obtain reasonable assurance that the Consolidated Financial Statements are free of material misstatement and present fairly the financial position and results of the Corporation in accordance with Canadian public sector accounting standards.

______________________ Director   Sharlene Jones ______________________ Director

Grant Thornton

Independent auditors' report

Grant Thornton LLP
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St. John's, NL
A1B 3P9

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To the Directors of

Newfoundland Ocean Enterprises Limited

We have audited the accompanying financial statements of Newfoundland Ocean Enterprises Limited, which comprise the statement of financial position as at March 31, 2012, March 31, 2011 and April 1, 2010 and the statements of operations and changes in accumulated surplus, statement of net financial assets and changes in cash flows for the years ended March 31, 2012 and March 31, 2011 and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Newfoundland Ocean Enterprises Limited as at March 31, 2012, March 31, 2011 and April 1, 2010 and its financial performance, net financial assets and its cash flows for the years ended March 31, 2012 and March 31, 2011 in accordance with Canadian public sector accounting standards.

Grant Thornton LLP

St. John's, Newfoundland and Labrador

June 15, 2012

Chartered Accountants

Newfoundland Ocean Enterprises Limited
Consolidated Statement of Financial Position

March 31	2012	2011	(Note 3) April 1 2010
Financial assets			
Cash and cash equivalents	$ 41,975	$ 43,401	$ 47,515
Liabilities			
Payables and accruals	15,104	12,143	12,616
Net financial assets	26,871	31,258	34,899
Accumulated surplus	$ 26,871	$ 31,258	$ 34,899

On behalf of the Board

__________ Director __________ Director

See accompanying notes to the consolidated financial statements.

Newfoundland Ocean Enterprises Limited
Consolidated Statement of Operations

Year Ended March 31	Actual 2012	Budget 2012	Actual 2011
Revenue			
Interest income	$ 254	$ -	$ 167
Expenses			
Bank charges	200	-	87
Professional fees	4,441	-	3,721
	4,641	-	3,808
Annual deficit	$ (4,387)	$ -	$ (3,641)

See accompanying notes to the consolidated financial statements.

Newfoundland Ocean Enterprises Limited
Consolidated Statement of Changes in Accumulated Surplus

Year Ended March 31	**Actual** **2012**	Budget 2012	(Note 3) Actual 2011
Accumulated surplus, beginning of year	**$ 31,258**	$ -	$ 34,899
Annual deficit	**(4,387)**	-	(3,641)
Accumulated surplus, end of year	**$ 26,871**	$ -	$ 31,258

See accompanying notes to the consolidated financial statements.

Newfoundland Ocean Enterprises Limited

Consolidated Statement of Net Financial Assets

Year Ended March 31	**Actual** **2012**	Budget 2012	(Note 3) Actual 2011
Annual deficit	**$ (4,387)**	$ -	$ (3,641)
Decrease in net financial assets	**(4,387)**	-	(3,641)
Net financial assets, beginning of year	**31,258**	-	34,899
Net financial assets, end of year	**$ 26,871**	$ -	$ 31,258

See accompanying notes to the consolidated financial statements.

Newfoundland Ocean Enterprises Limited

Consolidated Statement of Cash Flows

Year Ended March 31	2012	2011
Increase (decrease) in cash and cash equivalents		
Operating		
Annual deficit	$ **(4,387)**	$ (3,641)
Change in non-cash items		
Payables and accruals	**2,961**	(473)
Cash used for operating transactions	**(1,426)**	(4,114)
Decrease in cash and cash equivalents	**(1,426)**	(4,114)
Cash and cash equivalents, beginning of year	**43,401**	47,515
Cash and cash equivalents, end of year	$ **41,975**	$ 43,401

See accompanying notes to the consolidated financial statements.

1. Operations

Newfoundland Ocean Enterprises Limited ceased active operations on January 1, 1998.

2. Summary of significant accounting policies

Basis of presentation

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants and reflect the following significant accounting policies.

Principles of consolidation

The consolidated financial statements include the accounts of Newfoundland Ocean Enterprises Limited, its wholly owned subsidiaries Marystown Shipyard Limited and Vinland Industries Limited, and Vinland Industries, a Limited Partnership

Use of estimates

In preparing the Corporation's consolidated financial statements in conformity with Canadian public sector accounting standards, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period.

Estimates are based on the best information available at the time of preparation of the consolidated financial statements and are reviewed annually to reflect new information as it becomes available. Actual results could differ from these estimates.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks, and short term deposits with original maturities of three months or less. Bank borrowings are considered to be financing activities.

Financial instruments

The Corporation considers any contract creating a financial asset, liability or equity instrument as a financial instrument, except in certain limited circumstances. The Corporation accounts for the following as financial instruments:

- cash and cash equivalents; and
- payables and accruals.

2. Summary of significant accounting policies (cont'd.)

A financial asset or liability is recognized when the Corporation becomes party to contractual provisions of the instrument.

The Corporation initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The Corporation subsequently measures its financial assets and financial liabilities at cost or amortized cost, except for derivatives and equity securities quoted in an active market, which are subsequently measured at fair value. Changes in fair value are recognized in annual surplus.

Financial assets measured at fair value include cash and cash equivalents.

Financial liabilities measured at cost include payables and accruals.

The Corporation removes financial liabilities, or a portion of, when the obligation is discharged, cancelled or expires.

Financial assets measured at cost are tested for impairment when there are indicators of impairment. Previously recognized impairment losses are reversed to the extent of the improvement provided the asset is not carried at an amount, at the date of the reversal, greater than the amount that would have been the carrying amount had no impairment loss been recognized previously. The amounts of any write-downs or reversals are recognized in net annual surplus.

Adoption of new accounting policies

During the year, the Corporation transitioned to PSAB standards, as part of this transition, the Corporation has also early adopted the new standards included in PS 3410 Government Transfers and PS 3450 Financial Instruments. The Public Standards Accounting Board encouraged early adoption of these standards in the year of transition to PSAB.

3. Impact of the change in the basis of accounting

These consolidated financial statements are the first consolidated financial statements for which the Corporation has applied Canadian public sector accounting standards ("PSAB"). The consolidated financial statements for the year ended March 31, 2012 were prepared in accordance with PSAB. Comparative period information presented for the year ended March 31, 2011 was prepared in accordance with PSAB and the provisions set out in Section *PS 2125 First-time adoption by government organizations.*

3. Impact of the change in the basis of accounting (cont'd.)

The date of transition to PSAB is April 1, 2010. The Corporation's transition from generally accepted accounting principles (previously "GAAP") to PSAB resulted in a restatement of opening accumulated surplus as at April 1, 2010. This change is as follows:

(a) Adjustment to the consolidated statement of financial position as at April 1, 2010:

	As previously reported	Effect of transition	As restated
Shareholders' Equity			
Capital stock	$ 3,000	$ (3,000)	$ -
Contributed surplus	90,800,000	(90,800,000)	-
Deficit	(90,768,101)	90,768,101	-
Accumulated surplus	$ -	$ (34,899)	$ 34,899

Upon transition, Canadian public sector accounting standards permits certain exemptions from full retrospective application. The Corporation has applied the mandatory exceptions and has not elected to apply any of the available optional exemptions.

4. Financial instruments

The Corporation's financial instruments consist of cash and cash equivalents and payables and accruals. The book value of cash and cash equivalents and payables and accruals approximate fair value due to their short term maturity date.

Risks and concentrations

The Corporation is exposed to various risks through its financial instruments. The following analysis provides a measure of the Corporation's risk exposure and concentrations at March 31, 2012.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Corporation is exposed to this risk mainly in respect of its payables and accruals. The Corporation reduces its exposure to liquidity risk by monitoring its cash flows and ensuring that it has sufficient cash available to meet its obligations and liabilities. In the opinion of management the liquidity risk exposure to the Corporation is low and not material.

NEWVEST REALTY CORPORATION

FINANCIAL STATEMENTS

31 DECEMBER 2011

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

To the Board of Directors
Newvest Realty Corporation
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Newvest Realty Corporation which comprise the statement of financial position as at 31 December 2011, and the statements of comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Auditor's Report (cont.)

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Newvest Realty Corporation as at 31 December 2011 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Sandra Russell

SANDRA RUSSELL, CA
Deputy Auditor General (A)

St. John's, Newfoundland and Labrador
20 June 2012

NEWVEST REALTY CORPORATION
STATEMENT OF FINANCIAL POSITION

As at	31 December 2011	31 December 2010	1 January 2010
	(000's)	(000's) Restated (Note 4)	(000's) Restated (Note 4)
ASSETS			
Investment properties (Note 6)	$ 278,035	$ 233,142	$ 185,350
Non-current assets	278,035	233,142	185,350
Accounts receivable	518	376	568
Prepaid expenses	1,979	317	214
Cash and cash equivalents	5,863	6,168	8,087
Current assets	8,360	6,861	8,869
Total assets	$ 286,395	$ 240,003	$ 194,219
LIABILITIES			
Mortgages payable (Note 7)	$ 82,661	$ 79,844	$ 47,621
Non-current liabilities	82,661	79,844	47,621
Mortgage payable (Note 7)	6,308	2,160	20,101
Accounts payables and accrued liabilities	4,886	3,150	3,642
Dividends payable (Note 8)	1,000	2,200	3,500
Current liabilities	12,194	7,510	27,243
Total liabilities	94,855	87,354	74,864
Equity	191,540	152,649	119,355
Total liabilities and equity	$ 286,395	$ 240,003	$ 194,219
Equity per share (Note 9)	$ 14.42	$ 13.09	$ 12.12

Commitments (Note 15)

Signed on behalf of the Board: Laurie Skinner **Chairperson** **Director**

See Note 4 for the effects of adoption of IFRS.
The accompanying notes are an integral
part of these financial statements.

NEWVEST REALTY CORPORATION
STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 31 December	2011	2010
	(000's)	(000's) Restated (Note 4)
Revenue		
Rental income	$ 18,935	$ 14,638
Expense recoveries from tenants	9,634	6,254
Interest and other income	53	28
	28,622	20,920
Expenses		
Property operating costs (Note 10)	11,156	7,395
Mortgage interest	4,911	3,734
Asset management fees	758	590
Amortization of tenant inducements	383	422
Administrative costs	116	114
Participation fees	51	-
	17,375	12,255
Income from operations	11,247	8,665
Gain on sale of income producing properties	1,141	-
Increase in fair value of investment properties (Note 6)	18,503	12,979
Comprehensive income	$ 30,891	$ 21,644

See Note 4 for the effects of adoption of IFRS.
The accompanying notes are an integral
part of these financial statements.

NEWVEST REALTY CORPORATION
STATEMENT OF CHANGES IN EQUITY
For the Year Ended 31 December

	Share Capital (Note 9) (000's)	Retained Earnings (000's) Restated (Note 4)	Total (000's)
Equity, 1 January 2010	$ 98,451	$ 20,904	$ 119,355
Changes during the year			
Net income	-	21,644	21,644
Dividends (Note 8)	-	(6,550)	(6,550)
Issuance of common shares	18,200		18,200
Equity, 31 December 2010	116,651	35,998	152,649
Changes during the year			
Comprehensive income	-	**30,891**	**30,891**
Dividends (Note 8)	-	**(8,200)**	**(8,200)**
Issuance of common shares	**20,200**	-	**20,200**
Cancellation of common shares	**(4,000)**	-	**(4,000)**
Equity, 31 Dcember 2011	**$ 132,851**	**$ 58,689**	**$ 191,540**

See Note 4 for the effects of adoption of IFRS.
The accompanying notes are an integral
part of these financial statements.

NEWVEST REALTY CORPORATION

STATEMENT OF CASH FLOWS

For the Year Ended 31 December	2011	2010
	(000's)	(000's) Restated (Note 4)
Operating activities		
Comprehensive income	$ 30,891	$ 21,644
Items not affecting cash		
Amortization of deferred charges	383	422
Gain on sale of investing properties	(1,141)	-
Increase in fair value of investment properties	(18,503)	(12,979)
Stepped rent	(282)	(204)
Changes in non-cash operating items		
Accounts receivable	(142)	192
Prepaid expenses	(1,662)	(103)
Accounts payable and accrued liabilities	1,736	(492)
Cash and cash equivalents provided by operating activities	11,280	8,480
Financing activities		
Issuance of common shares	20,200	18,200
Dividends paid	(9,400)	(7,850)
Issuance of mortgage payable	15,000	16,095
Repayment of mortgage payable	(8,035)	(1,813)
Cancellation of common shares	(4,000)	-
Cash and cash equivalents provided by financing activities	13,765	24,632
Investing activities		
Acquisition of investment properties	(35,079)	(34,202)
Additions to investment properties	(2,760)	(829)
Proceeds from disposition of investment properties	12,489	-
Cash and cash equivalents used in investing activities	(25,350)	(35,031)
Net decrease in cash and cash equivalents	(305)	(1,919)
Cash and cash equivalents, beginning of year	6,168	8,087
Cash and cash equivalents, end of year	$ 5,863	$ 6,168
Supplementary cash flow information:		
Interest paid	$ 4,858	$ 3,669

See Note 4 for the effects of adoption of IFRS.
The accompanying notes are an integral
part of these financial statements.

1. Nature of operations

Newvest Realty Corporation (the "Corporation") was incorporated on 9 August 2001 under the *Canada Business Corporations Act*. It is also registered under the *Corporations Act* of the Province of Newfoundland and Labrador. The Corporation has its headquarters in Toronto, Ontario. All shares of the Corporation are held by the Province of Newfoundland and Labrador Pooled Pension Fund (the "Fund"). Board members are appointed by the Pension Investment Committee of the Fund. The purpose of the Corporation is to invest monies received from the Fund in Canadian real estate property.

Shareholders are required to be in compliance with Section 149(1) of the *Income Tax Act (Canada)* for the Corporation to qualify as a tax exempt corporation. Accordingly, no provision for income taxes has been made in these financial statements.

The Corporation has an Investment Services Agreement with Bentall Kennedy (Canada) Limited Partnership ("Bentall Kennedy") dated 30 June 2001 under which Bentall Kennedy is responsible for the acquisition, disposal, leasing and management of real estate properties and performance of all administrative functions on behalf of the Corporation.

2. General information and statement of compliance with IFRS

The financial statements of the Corporation have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These are the Corporation's first financial statements prepared in accordance with IFRS (see Note 4 for explanation of the transition to IFRS).

3. Summary of significant accounting policies

Overall considerations and first-time adoption of IFRS

The financial statements have been prepared using accounting policies specified by those IFRSs that are in effect at the end of the reporting period (31 December 2011).

These accounting policies have been used throughout all periods presented in the financial statements, except where the Corporation has applied certain accounting policies and exemptions upon transition to IFRS. The exemptions applied by the Corporation and the effects of transition to IFRS are presented in Note 4.

The significant accounting policies that have been applied in the preparation of these financial statements are summarized below.

3. Summary of significant accounting policies (cont.)

Investment properties

Investment properties include retail and commercial properties held to earn rental income and for capital appreciation (income producing properties).

Income producing properties acquired as an asset acquisition are recorded initially at cost including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating.

Subsequent to initial recognition, income producing properties are recorded at fair value. The changes in fair value for each reporting period will be recorded in the statement of comprehensive income. In order to avoid double accounting, the carrying value of income producing properties includes straight-line rent receivable, tenant incentives, long-term replacement items and direct leasing costs, since these amounts are incorporated in the appraised values of the real estate properties. Fair value is based upon external valuations using recognized valuation techniques including the direct capitalization income and discounted cash flow methods. Recent real estate transactions with similar characteristics and location to the Corporation's assets are also considered. The direct capitalization income method applies a capitalization rate to the property's stabilized net operating income which incorporates allowances for vacancy, management fees and structural reserves for capital expenditures for the property. The resulting capitalized value is further adjusted, where appropriate, for extraordinary costs to stabilize the income and non-recoverable capital expenditures.

Leasing costs are initial direct costs associated with leasing activities such as commission and legal fees. They are capitalized to the investment property and not amortized as they are considered in the fair value adjustment.

Use of estimates

In preparing the Corporation's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Revenue recognition

The Corporation has retained substantially all of the risks and benefits of ownership of its real estate properties and therefore accounts for leases with its tenants as operating leases. Revenue from properties includes rents from tenants under leases, percentage participation rents, property tax and operating cost recoveries, lease cancellation fees, leasing concessions, parking income and incidental income. Percentage participation rents are accrued based on sales estimates submitted by tenants if the tenant anticipates attaining the minimum sales level stipulated in the tenant lease. All other rental revenue is recognized in accordance with each lease.

3. Summary of significant accounting policies (cont.)

Revenue recognition (cont.)

Revenue from investment properties recorded in the statement of comprehensive income during free rent periods represents future cash receipts and is reflected on the statement of financial position in the carrying value of investment properties and recognized in the statement of comprehensive income on a straight-line basis over the initial term of the lease. The Corporation also accounts for stepped rents on a straight-line basis. Rents recorded in advance of cash received are included in investment properties.

Provisions

A provision is a liability of uncertain timing or amount. Provisions are recognized when the Corporation has a present legal or constructive obligation as a result of past events. It is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value for the expenditures expected to be required to settle the obligation using a discount rate that reflects current market assessment of the time value of money and the risks specific to the obligation. Provisions are re-measured at each statement of financial position date using the current discount rate. The increase in the provision due to passage of time is recognized as interest expense.

Property and operating expenses

Property and operating expenses are recognized in the statement of comprehensive income upon utilization of the service or at the date of their origin.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short-term deposits with original maturities of three months or less, net of bank overdrafts. Bank borrowings are considered to be financing activities.

Investment in co-ownerships and joint ventures

The Corporation accounts for its investments in co-ownerships and joint ventures on a proportionate consolidation basis whereby the Corporation includes its pro rata shares of assets, liabilities, revenue and expenses.

Participation fee

Participation under the terms of the Investment Services Agreement, the property manager Bentall Kennedy is entitled to a fee. Participation fee calculation is based on the Corporation's performance as it relates to a preset hurdle formula and changes in market value of income producing properties.

3. Summary of significant accounting policies (cont.)

Financing costs

Deferred finance costs are being amortized over the term of the respective credit facility.

Leases

The Corporation is the leaser in all leasing agreements. Leases are classified according to the substance of the transaction. Leases that transfer substantially all risks and benefits of ownership from the Corporation to the lessees are financing leases. All current leases are operating leases.

Financial instruments

Recognition and measurement of financial instruments

Financial assets must be classified into one of the following categories: loans and receivables, fair value through profit or loss, or available-for-sale assets. Financial liabilities are classified as other financial liabilities. All financial instruments are measured in the statement of financial position at fair value except for loans and receivables and other financial liabilities that are measured at amortized cost using the effective interest rate method.

The Corporation designated its accounts receivable as loans and receivables, which are measured at amortized cost. Mortgages payable, accounts payable and accrued liabilities and dividends payable are classified as other financial liabilities, which are measured at amortized cost.

Fair value

The fair value of a financial instrument is the amount of consideration that could be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. In certain circumstances, however, the initial fair value may be based on other observable current market transactions in the same instrument, without modification or on a valuation technique using market-based inputs. The Corporation's financial assets include cash and cash equivalents and accounts receivable. The Corporation's financial liabilities include mortgages payable, accounts payable and accrued liabilities, and dividends payable. Except as noted below, the carrying values of the Corporation's financial assets and financial liabilities approximate their fair values because of the short period of time until the receipt or payment of cash. The fair value of the mortgages payable is estimated based on discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks.

3. Summary of significant accounting policies (cont.)

Financial instruments (cont.)

Fair value measurements recognized in the statement of financial position are categorized using a fair value hierarchy that reflects the significance of inputs used in determining the fair values:

Level 1: Quoted prices in active markets for identical assets or liabilities.
Level 2: Quoted prices in active markets for similar assets or liabilities or valuation techniques where significant inputs are based on observable market data.
Level 3: Valuation techniques for which any significant input is not based on observable market data.

Each type of fair value is categorized based on the lowest level input that is significant to the fair value measurement in its entirety.

Critical judgments in applying accounting policies

The following are the critical judgments that have been made in applying the Corporation's accounting policies and that have the most significant effect on the amounts in the financial statements.

Investment properties

The Corporation's accounting policies relating to investment properties are described above. In applying these policies, judgment has been applied in determining whether certain costs are additions to the carrying amount of the properties. Judgment is also applied in determining the extent and frequency of independent appraisals.

Leases

The Corporation makes judgments in determining whether certain leases, in particular those leases with long contractual terms where the lessee is the sole tenant in a property and long-term ground leases where the Corporation is the lessee, are operating or finance leases. The Corporation has determined that all of its tenant leases and long-term ground leases are operating leases.

In addition, the Corporation makes judgments in determining whether improvements provided to tenants as part of the tenant's lease agreement represents a capital expenditure or an incentive. Tenant improvements which enhance the value of the leased premises and have an economic life which exceeds the tenant's lease term are considered capital expenditures.

3. Summary of significant accounting policies (cont.)

Critical accounting estimates and assumptions

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting periods.

In determining estimates of fair market value and net realizable values for its investment properties, the assumptions underlying estimated values are limited by the availability of comparable data and the uncertainty of predictions concerning future events. Should the underlying assumptions change, actual results could differ from the estimated amounts. The critical estimates and assumptions underlying the valuation of investment properties are outlined in Note 6.

In addition, the computation of cost reimbursements from tenants for property taxes, insurance and common area maintenance charges is complex and involves a number of estimates, including the interpretation of terms and other tenant lease provisions. Tenant leases are not consistent in dealing with such cost reimbursements, and variations in computations can exist.

Adjustments are made throughout the year to these costs recovery revenues based upon the Corporation's best estimate of the final amounts to be billed and collected.

4. Transition to IFRS

The Corporation has adopted IFRS effective 1 January 2010 ("the transition date") and has prepared its opening IFRS statement of financial position as at that date. Prior to the adoption of IFRS the Corporation prepared its financial statements in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP").

IFRS 1: First-time adoption of IFRS

In preparing these financial statements in accordance with IFRS 1, "First-time Adoption of International Financial Reporting Standards" ("IFRS 1"), the Corporation has applied certain optional and mandatory exemptions from full retrospective application of IFRS. The optional exemptions applied are described below.

Investment properties

The Corporation has elected to measure investment properties at fair value as at the transition date and use that amount as its deemed cost in the opening IFRS statement of financial position.

The mandatory exceptions applied from full retrospective application of IFRS are described below.

4. Transition to IFRS (cont.)

Estimates

Hindsight was not used to create or revise estimates and accordingly, the estimates previously made by the Corporation under the Management Agreement are consistent with their application under IFRS.

Reconciliation of equity as reported under Canadian GAAP and IFRS

The following is a reconciliation of the Corporation's total equity reported in accordance with Canadian GAAP to its total equity in accordance with IFRS at 1 January 2010 (the transition date) and 31 December 2010:

		1 January 2010		31 December 2010	
	Note	Share Capital (000's)	Retained Earnings (000's)	Share Capital (000's)	Retained Earnings (000's)
As reported under Canadian GAAP		$ 98,451	$ 19,377	$ 116,651	$ 21,294
Differences increasing reporting amount:					
Investment properties	(a)	-	1,527	-	14,704
As reported under IFRS		**$ 98,451**	**$ 20,904**	**$ 116,651**	**$ 35,998**

Notes for reconciliation of net income from the provisions of Canadian GAAP to IFRS:

(a) Investment properties

The investment properties were initially recorded at acquisition cost and amortization was not recorded on properties. IFRS requires that an entity choose either the cost or fair value model to account for investment property. The Corporation has elected to use the fair value model. This adjustment to retained earnings represents the cumulative unrealized gain in respect of the Corporation's real estate properties, net of the de-recognition of related intangible assets which are inherently reflected in the fair value of the real estate properties and the reclassification of long-term replacements and leasing commissions. Under Canadian generally accepted accounting principles, direct costs relating to the re-negotiation of renewal leases and tenant improvements were amortized to the income statement over the term of the lease. Under IFRS, the Corporation has elected to capitalize these costs to the investment property and not amortize the amount as the amount is considered in the fair market value adjustment of the investment property in each reporting period. Tenant inducements such as cash incentives are capitalized to the investment property and amortized to revenue over the term of the lease.

4. Transition to IFRS (cont.)

Reconciliation of net income as reported under Canadian GAAP and IFRS

The following is a reconciliation of the Corporation's net income reported in accordance with Canadian GAAP to its net income in accordance with IFRS for the year ended 31 December 2010:

	Note	(000's)
Net income as reported under Canadian GAAP		$ 8,467
Adjustments increasing reported amount:		
Fair value gain on investment properties	(a)	12,979
Reversal of real estate properties amortization expense	(a)	198
Net income as reported under IFRS		**$ 21,644**

Notes for reconciliation of net income from Canadian GAAP to IFRS:

(a) Real estate properties

In accordance with IFRS and the Corporation's policy choice to adopt the fair value model to account for its real estate properties, changes in fair value each reporting period will be included in net income. In addition, under the fair value model, amortization of investment in real estate is no longer recorded; this includes amortization of direct leasing costs and long-term replacements that were recorded under Canadian GAAP.

5. Future accounting policy changes

Financial instruments

IFRS 9, *Financial Instruments* ("IFRS 9"), was issued by the IASB and will replace IAS 39. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial impairment methods in IAS 39. On 4 August 2011, the IASB published for public comment an exposure draft proposing to defer the mandatory effective date of IFRS 9 from annual periods beginning on or after 1 January 2013 (with early adoption permitted) to annual periods beginning on or after 1 January 2015 (with early adoption permitted). The Corporation is currently evaluating the impact of IFRS 9 on its financial instruments.

5. Future accounting policy changes (cont.)

Joint arrangements

In May 2011, the IASB issued IFRS 11, *Joint Arrangements*. This new standard replaces IAS 31, Interests in Joint Ventures. The new standard eliminates the option to proportionately consolidate interests in certain types of joint ventures and will be effective for the Corporation's year end beginning 1 January 2013. This may impact the Corporation's financial statements since the Corporation currently proportionately consolidates joint ventures and co-ownerships under IFRS. The Corporation is currently evaluating the impact of IFRS 11 on its financial statements.

Disclosure of interests in other entities

In May 2011, the IASB issued IFRS 12, *Disclosure of Interests in Other Entities*. This new standard includes disclosure requirements about subsidiaries, joint ventures and associates. Additional disclosures include judgments and assumptions made in determining how to classify involvement with another entity, interest that non-controlling interests have in the consolidated entities and the nature and risks associated with interests in other entities. IAS 28, *Investments in Associates*, has been amended and will set the requirements for the application of the equity method when accounting for investments in associates. This standard will be effective for the Corporation's year end beginning 1 January 2013, with early adoption permitted. The adoption of IFRS 12 is not expected to have a significant impact on the Corporation's financial statements.

Fair value measurement

IFRS 13 does not affect which items are required to be fair-valued, but clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It is applicable for annual periods beginning on or after 1 January 2013. The Corporation's management has yet to assess the impact of this new standard.

6. Investment properties

	31 December 2011 (000's)	31 December 2010 (000's)	1 January 2010 (000's)
Investment properties	**$ 278,035**	$ 233,142	$ 185,350

Reconciliations of the carrying amount for investment properties at the beginning and end of each financial year are as follows:

	Investment properties (000's)
Balance, 1 January 2011	**$ 233,142**
Additions:	
Acquisition	**35,079**
Capital expenditure/capitalized costs	**706**
Tenant incentives and commissions	**1,671**
Stepped rent	**282**
Disposals	**(11,348)**
Fair value gains	**18,503**
Balance, 31 December 2011	**$ 278,035**
Balance, 1 January 2010	$ 185,350
Additions:	
Acquisition	34,202
Capital expenditure/capitalized costs	211
Tenant incentives and commissions	196
Stepped rent	204
Fair value gains	12,979
Balance, 31 December 2010	**$ 233,142**

6. Investment properties (cont.)

For financial reporting periods 31 December 2011, 31 December 2010 and 1 January 2010, the Corporation has appraised values in accordance with their appraisal policy which requires that properties be appraised at least once every two years by professionally qualified independent appraisers. The external appraisals are completed in six month cycles on approximately one half of the Corporation's portfolio. The properties that are not externally appraised during each six month cycle are appraised by Bentall Kennedy.

	31 December 2011 Market Value (000's)	31 December 2010 Market Value (000's)	1 January 2010 Market Value (000's)
(a) Bayview Chateau and White Rock Gardens, White Rock, British Columbia	**$ 14,650**	$ 14,040	$ 12,650
(b) Sperling Plaza, Burnaby, British Columbia	**26,300**	24,000	22,800
(c) Park and Tilford Shopping Centre, North Vancouver, British Columbia	**60,000**	56,000	50,600
(d) TD Creekside Corporate Centre (50% interest), Mississauga, Ontario	**36,100**	34,000	31,000
(e) 2001 Bantree (50% interest), Ottawa, Ontario	**-**	11,250	9,650
(f) Thunder Centre (50% interest), Thunder Bay, Ontario	**18,400**	15,000	14,000
(g) Centre 5735, Calgary, Alberta	**6,100**	5,850	6,000
(h) 4500 Cousens Road, St. Laurent, Quebec	**6,500**	5,550	5,750
(i) 4500 Chemin Bois Fran, St. Laurent, Quebec	**4,900**	3,650	3,850
(j) Faubourg Bois Franc, St. Laurent, Quebec	**15,100**	13,800	13,450
(k) Vintage Park, Calgary, Alberta	**17,100**	15,800	15,600

6. Investment properties (cont.)

	31 December 2011 Market Value (000's)	31 December 2010 Market Value (000's)	1 January 2010 Market Value (000's)
(l) 10201 Jasper Avenue (20% interest), Edmonton, Alberta	**10,200**	8,965	-
(m) 10303 Japer Avenue, (20% interest), Edmonton, Alberta	**27,600**	25,237	-
(n) 10 Dundas Street East, (15% interest), Toronto, Ontario	**35,085**	-	-
	$ 278,035	$ 233,142	$ 185,350

The Corporation determined the fair value of each investment property based upon, among other things, rental income from current leases and assumptions about rental income from future leases reflecting market conditions at the applicable statement of financial position dates, less future cash outflow pertaining to the respective leases. The properties are appraised using a number of approaches that typically include a discounted cash flow analysis, a direct capitalization income method and a direct comparison approach. The discounted cash flow analysis is primarily based on discounting the expected future cash flows, generally over a term of 10 years including a terminal value based on the application of a capitalization rate to estimated year 11 cash flows.

The significant assumptions made relating to valuations of investment properties using discounted cash flow analysis and direct capitalization income method were:

	31 December 2011	31 December 2010	1 January 2010
Maximum capitalization rate	**7.50%**	8.25%	8.50%
Minimum capitalization rate	**4.40%**	4.60%	5.00%
Weighted average capitalization rate	**6.38%**	6.91%	7.40%

7. Mortgages payable

The mortgages payable are secured by certain real property, bear interest at rates ranging from 4.159% to 6.50% and are payable as follows:

	(000's)
2012	$ 6,308
2013	2,499
2014	16,353
2015	8,576
2016	5,300
Thereafter	49,933
	$ 88,969

8. Dividends Payable

Dividends are payable on a resolution of the Board to the holder of common shares on a quarterly basis based on the net income for the quarter ended, less reasonable reserves as determined by Bentall Kennedy.

	2011 (000's)	2010 (000's)
Dividends payable, beginning of year	**$ 2,200**	$ 3,500
Dividends declared	**8,200**	6,550
Dividends paid	**(9,400)**	(7,850)
Dividends payable, end of year	**$ 1,000**	$ 2,200

9. Share capital

Share capital authorized
Unlimited number of common shares without par value.

Issued and fully paid	Number	Amount
Balance, 1 January 2010	9,845,100	$ 98,451,000
Balance, 31 December 2010	11,665,100	$ 116,651,000
Balance, 31 December 2011	13,285,100	$ 132,851,000

The common shares have a dividend equal to the annual net cash flow of the Corporation derived from real property and all other investments as defined.

Equity per share is calculated as net asset value divided by the number of shares issued and outstanding at year end. At 31 December 2011, equity per share was $14.42 (2010 - $13.09, 2009 - $12.12)

10. Property operating expenses

Operating expenses consist of:

	2011 (000's)	2010 (000's)
Elevator, HVAC and plumbing	**$ 408**	$ 298
Exterior grounds	**800**	610
General administrative	**565**	437
Insurance	**164**	162
Janitorial	**601**	351
Management fees	**825**	605
Miscellaneous	**88**	39
Non-recoverable property expenses	**535**	61
Parking lot	**324**	223
Property taxes	**4,819**	3,473
Repairs and maintenance	**307**	292
Security	**362**	184
Utilities	**1,358**	660
	$ 11,156	$ 7,395

11. Related party transactions

During the year, charges of $2,030,690 (2010 - $1,431,412) were incurred for services from Bentall Kennedy, a related party, in accordance with the management contract. These amounts are incurred in the normal course of business and are measured at the amount of consideration established and agreed to by the related parties.

These amounts are charged in these financial statements to income producing properties, operating expenses and asset management fees.

12. Management of capital

The Corporation defines capital that it manages as the aggregate of its equity and debt less cash and cash equivalents. The Corporation's objective when managing capital is to ensure that the Corporation will continue as a going concern so that it can sustain daily operations and provide adequate returns to its shareholders.

The Corporation is subject to risks associated with debt financing, including the possibility that existing mortgages may not be refinanced or may not be refinanced on favourable terms or with interest rates as favourable as those of the existing debt. The Corporation manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets.

12. Management of capital (cont.)

The total managed capital for the Corporation as at 31 December 2011, 31 December 2010 and 1 January 2010, is summarized below:

	31 December 2011 (000's)	31 December 2010 (000's)	1 January 2010 (000's)
Mortgages payable	**$ 88,969**	$ 82,004	$ 67,722
Cash and cash equivalents	**(5,863)**	(6,168)	(8,087)
Net debt	**83,106**	75,836	59,635
Equity	**191,540**	152,649	119,355
	$ 274,646	$ 228,485	$ 178,990

13. Investment in co-ownerships

The following represents the Corporation's interest in its co-ownership.

	31 December 2011 (000's)	31 December 2010 (000's)	1 January 2010 (000's)
Assets	**$ 128,340**	$ 95,249	$ 55,203
Liabilities	**56,168**	46,614	30,818
Equity	**72,172**	48,635	24,385

For the year ended	**31 December 2011 (000's)**	31 December 2010 (000's)
Revenue	**$ 12,742**	$ 5,793
Expenses	**7,697**	3,282
Net income from operations	**5,045**	2,511
Gain on sale of income producing properties	**1,141**	-
Increase in fair value of investment properties	**8,378**	5,621
Net income	**$ 14,564**	$ 8,132

14. Financial instruments and risk management

The Corporation's financial assets and liabilities are comprised of accounts receivable, cash and cash equivalents, mortgages payable, accounts payable and accrued liabilities, and dividends payable. Fair values of financial assets and liabilities and discussion of risks associated with financial assets and liabilities are presented as follows:

Fair value of financial assets and liabilities

The fair values of accounts receivable, cash and cash equivalents, accounts payable and accrued liabilities, and dividends payable approximate their carrying value due to the short-term maturity of those instruments. The fair values of mortgages payable are based on the current market conditions for financing loans with similar terms and risks.

The fair value of the mortgages payable has been determined by discounting the cash flows of these financial obligations using 31 December 2011 market rates for debts of similar terms (Category Level 2). Based on these assumptions, the fair value of the mortgages payable is estimated at:

	31 December 2011 (000's)	31 December 2010 (000's)	1 January 2010 (000's)
(a) Bayview Chateau and White Rock Gardens, White Rock, British Columbia. Mortgage, held by The Great-West Life Assurance Company, repayable in monthly installments of $26,705, including interest calculated at a rate of 5.58% per annum, maturing 1 July 2012, secured by a conventional first mortgage, a general security agreement, and a general assignment of rents.	**$ 3,938**	$ 4,177	$ 4,268
(b) Park and Tilford Shopping Centre, North Vancouver, British Columbia. Mortgage, held by The Great-West Life Assurance Company, repayable in monthly installments of $131,658, including interest calculated at a rate of 5.215% per annum, maturing 1 September 2020, secured by a first mortgage on freehold land and improvements, a first-ranking general assignment of leases and/or rents, first-ranking specific assignments, and a security agreement.	**19,304**	18,343	18,879

14. Financial instruments and risk management (cont.)

	31 December 2011 (000's)	31 December 2010 (000's)	1 January 2010 (000's)
(c) TD Creekside Corporate Centre, Mississauga Ontario. Mortgage (50% interest), held by Metropolitan Life Insurance Company, repayable in monthly installments of $115,194, including interest calculated at a rate of 5.71% per annum, maturing 1 July 2014, secured by a freehold first mortgage and charge on the property, a general security agreement, a first general assignment of rents, and a first specific assignment of a tenant lease.	**16,429**	16,874	16,688
(d) 2001 Bantree, Ottawa, Ontario. Mortgage (50% interest), held by Equitable Life, repayable in monthly installments of $38,816, including interest calculated at a rate of 5.09% per annum, maturing 1 August 2015, secured by a first mortgage and charge on the property, a first general assignment of leases and rents, a first specific assignment of leases, a first general security agreement of assets of the property, and assignment of insurance proceeds and endorsements to all policies.	**-**	6,036	5,884
(e) Thunder Centre, Thunder Bay, Ontario. Mortgage (50% interest), held by CIBC, repayable in monthly installments of $53,718, including interest calculated at a rate of 5.743% per annum, maturing 1 September 2015, secured by a first mortgage and charge on the property, a first general assignment of leases and rents, a specific assignment of leases, assignment of the head lease with the vendor, and assignment of the letter of credit relative to the head lease.	**8,094**	8,144	7,950
(f) Centre 5735, Calgary, Alberta. Mortgage, held by Equitable Life, repayable in monthly installments of $26,630, including interest calculated at a rate of 5.28% per annum, maturing 1 December 2016, secured by a first mortgage and charge on the property, and a general security agreement.	**4,327**	4,268	4,105

14. Financial instruments and risk management (cont.)

	31 December 2011	31 December 2010	1 January 2010
	(000's)	(000's)	(000's)
(g) Faubourg Bois Franc, St. Laurent, Quebec. Mortgage, held by CIBC Mortgages Inc., repayable in monthly installments of $57,238, including interest calculated at a rate of 5.00% per annum, maturing 1 September 2017, secured by a first hypothec for registration against title to the properties in the amount of $10,725,000, a general immovable hypothec of rents being a first priority interest in rents payable and the insurance indemnities on such rents, a movable hypothec of the lease(s), and a movable hypothec in the amount of $10,725,000 being a first priority interest in all present and future personal or movable property corporeal or incorporeal of the Borrower.	**10,837**	10,501	9,899
(h) 10201 Jasper Avenue, Edmonton, Alberta. Mortgage (20% interest), held by the Standard Life Assurance Company of Canada, repayable in monthly installments of $33,491, including interest calculated at a rate of 6.50% per annum, maturing 1 July 2019, secured by a first mortgage, the general assignment of rents and leases, a specific assignment of leases and a general security agreement.	**5,628**	4,880	-
(i) 10303 Jasper Avenue, Edmonton, Alberta. Mortgage (20% interest), held by The Great-West Life Assurance Company, two mortgages: the first repayable in monthly installments of $29,835, including interest calculated at a rate of 4.159% per annum, maturing 1 December 2017; the second, an interest payment only mortgage, with monthly interest payments of $25,919 calculated at a rate of 5.47% per annum, maturing 1 December 2017. The first mortgage is secured by a pari-passu first mortgage on freehold land and improvements, first ranking general assignment of leases and/or rents of the lands, assignments of leases including specific assignment of major tenant leases.	**11,275**	11,160	-

14. Financial instruments and risk management (cont.)

	31 December 2011 (000's)	31 December 2010 (000's)	1 January 2010 (000's)
(h) 10 Dundas Street East, Toronto, Ontario. Mortgage (15% interest), held by CDPQ Mortgage Investment Corporation, repayable in monthly installments of $96,226, including interest calculated at a rate of 5.344% per annum, maturing 1 April 2021; secured by a first mortgage, the general assignment of rents and leases, a specific assignment of leases and a general security agreement.	**14,755**	-	-
Fair value of mortgage payables	**$ 94,587**	$ 84,383	$ 67,673

Risks associated with financial assets and liabilities

The Corporation is exposed to financial risks arising from its financial assets and liabilities. The financial risks include market risk relating to interest rates, credit risk and liquidity risk. The Corporation's overall risk management program focuses on establishing policies to identify and analyze the risks faced by the Corporation, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Corporation's activities.

(a) Market risk

Market risk, the risk that the fair value or future cash flows of financial assets or liabilities will fluctuate due to movements in market prices comprises the following:

Interest rate risk

The Corporation is subject to the risks associated with debt financing; including the risk that credit facilities will not be refinanced on terms as favourable as those of the existing indebtedness. For the year ended 31 December 2011, the increase/decrease in annual net income for each one percent change in interest rates on the Corporation fixed rate debt amounts to $547,875/$553,531 (2010 - $871,185/$878,622).

The Corporation's objective of managing interest rate risk is to minimize the volatility of the Corporation's income. As at 31 December 2011, interest rate risk has been minimized, as the mortgage payables are financed at fixed interest rates.

14. Financial instruments and risk management (cont.)

Risks associated with financial assets and liabilities (cont.)

(b) Credit risk

Credit risk is the risk that the counterparty to a financial asset will default resulting in the Corporation incurring a financial loss. A substantial portion of the Corporation's accounts receivable is with retail tenants and individuals and is subject to normal industry credit risks.

The objective of managing credit risk is to mitigate exposure through the use of approved credit policies governing the Corporation's credit practices that limit transactions according to counterparties' credit quality.

The carrying amount of accounts receivable is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of comprehensive income within property operating expenses. When a receivable balance is considered uncollectible, it is written off against the allowance for doubtful accounts. Subsequent recoveries of amounts previously written off are credited against operating expenses in the statement of comprehensive income.

(c) Liquidity risk

Liquidity risk is the risk the Corporation will encounter difficulties in meeting its financial liability obligations. The Corporation will be subject to the risks associated with debt financing, including the risk that credit facilities will not be able to be refinanced. The Corporation's objectives in minimizing liquidity risk are to maintain appropriate levels of leverage on its real estate assets. At 31 December 2011, the Corporation was holding cash and cash equivalents of $5,862,690 (December 31, 2010 - $6,168,419 and January 1, 2010 - $8,086,618) and had $Nil undrawn lines of credit available to it.

(d) Environmental risk

The Corporation is subject to various Canadian laws relating to the environment. The Corporation has formal policies and procedures dealing with limiting environmental exposures which are administered by the Manager. Costs related to environmental risk are mitigated by carrying environmental insurance. There is an exposure to financial risks arising from environmental factors which could cause a variation in earnings to the extent that costs may exceed such coverage.

15. Commitments

The investment properties are leased out to tenants through long-term operating leases with rents payable monthly. Future minimum lease income is as follows:

	31 December 2011 (000's)	31 December 2010 (000's)	1 January 2010 (000's)
Within one year	**$ 16,017**	$ 13,327	$ 11,430
Later than one year but not later than five years	**48,282**	39,704	35,611
Later than five years	**27,780**	20,347	22,030
	$ 92,079	$ 73,378	$ 69,071

16. Subsequent events

On 16 February 2012, as per a resolution of the Directors of Newvest Realty Corporation, the Corporation issued 2,480,000 common shares at $10 per share to fund the purchase of a portfolio of industrial properties in Quebec.

On 17 February 2012, as per a resolution of the Directors of Newvest Realty Corporation, the Corporation cancelled 632,500 common shares at $10 per share plus declared a dividend of $4,575,000. This represented net proceeds from the sale of a 50% ownership interest in Thunder Centre, Thunder Bay, Ontario completed on 14 February 2012.

On 16 April 2012 and 10 May 2012, as per resolutions of the Directors of Newvest Realty Corporation, the Corporation issued 375,000 and 2,180,000 shares respectively at $10 per share to fund the purchase of a 12.5% interest in a 585,617 square foot office property known as Bentall V, at 55 Burrard Street, Vancouver, British Columbia. In addition the Corporation acquired a mortgage with the Royal Bank of Canada in the amount of $25,062,500 to complete the purchase of the 12.5% interest.

On 13 April 2012, the Corporation entered into a an agreement to sell two office buildings, known as Sperling Plaza, in Burnaby British Columbia for the amount of $30,068,000. All conditions on the sale were waived on 17 May 2012 and closing is scheduled for 3 July 2012.

17. Comparative figures

Certain figures in the 2010 financial statements have been restated to conform with the basis of presentation used in 2011.

NOVA CENTRAL SCHOOL DISTRICT

INDEPENDENT AUDITORS' REPORT

FINANCIAL STATEMENTS - JUNE 30, 2011

Walters Hoffe
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the members of the **Nova Central School District**

Report on the Financial Statements

We have audited the balance sheet of the current and capital funds of the **Nova Central School District** as at June 30, 2011, and the related statements of current revenues, expenditures and Board deficiency, and statement of changes in capital fund position for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other

As required by Section 66(2) of the Schools Act, 1997, we report that all employees collecting, receiving and depositing cash are adequately bonded.

Basis for Disclaimer of Opinion

These financial statements, which have not been, were not intended to be, prepared in accordance with Canadian generally accepted accounting principles. They have been prepared in accordance with the basis of accounting and as explained in Note 1 to the financial statements, which is in compliance with reporting requirements established for school boards in the Province of Newfoundland and Labrador by the Department of Education.

(Continued...)

INDEPENDENT AUDITORS' REPORT (continued)

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at June 30, 2010, and the results of its operations and the changes in its capital financial position for the year then ended in accordance with the basis of accounting and as explained in Note 1 to the financial statements, which is in compliance with reporting requirements established for school boards in the Province of Newfoundland and Labrador by the Department of Education.

These financial statements, which have not been, were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are intended for the information and use of the Board and the Province of Newfoundland and Labrador and may not be appropriate for any other purpose.

Walters Hoffe
Chartered Accountants

Gander, Newfoundland

November 23, 2011

Nova Central School District
Balance Sheet

Year ended June 30	2011	2010
Assets		
Current Assets		
Cash (Supp. Info 1)	$ 8,243,948	$ 7,259,977
Accounts Receivable (Note 2)	13,179,293	12,507,300
Inventory, at cost	-	-
Prepaid Expenses (Supp. Info 3)	607,814	652,192
Total Current Assets	22,031,055	20,419,469
Restricted Cash - Scholarship Contributions	721,709	683,123
Property and Equipment (Sch. 8)	213,200,147	197,710,705
	$ 235,952,911	$ 218,813,297
Liabilities and Board Equity		
Current Liabilities		
Bank indebtedness (Note 3)	$ -	$ -
Accounts Payable and Accruals (Note 4)	17,668,293	17,348,639
Current Maturities (Sch. 9B)	1,243,956	1,218,241
Total Current Liabilities	18,912,249	18,566,880
Scholarship Contributions	721,709	683,123
Long Term Debt (Sch. 9)	5,825,112	5,190,131
Accrued Support Staff Severance	3,042,333	3,089,962
Accrued Teacher Severance	20,081,629	19,191,399
Board Equity		
Investment in Capital Assets (Note 6)	206,131,080	191,302,334
Board Deficiency (Note 8)	(18,761,201)	(19,210,532)
Total Board Equity	187,369,879	172,091,802
Commitments (Note 7)		
	$ 235,952,911	$ 218,813,297

Approved: John George Chairperson

Treasurer

See accompanying notes.

Nova Central School District
Statement of Current Revenues, Expenditures and Board Deficiency

Year Ended June 30	2011	2010
Current Revenues (Schedule 1)		
Local Taxation		
Provincial Government Grants	$ 139,023,286	$ 134,502,460
Donations	-	-
Ancillary Services	36,801	36,000
Miscellaneous	589,869	986,002
	$ 139,649,956	$ 135,524,462
Current Expenditures		
Administration (Schedule 2)	$ 4,028,573	$ 4,103,365
Instruction (Schedule 3)	108,705,862	105,018,995
Operations and Maintenance (Schedule 4)	13,743,168	13,991,185
Pupil Transportation (Schedule 5)	11,865,250	11,342,883
Ancillary Services (Schedule 6)	2,238	39,398
Interest Expense (Schedule 9C)	3,703	712
Miscellaneous Expenses (Schedule 7)	-	-
	138,348,794	134,496,538
23 111		
Excess of Revenue over Expenditure Before Teacher Severance, Funded Management Leave Accrual and Transfer to Capital	$ 1,301,162	$ 1,027,924
Teacher Severance	(890,230)	(1,008,315)
Funded Management Leave Accrual	39,536	(443,392)
Transfer to Capital	(1,137)	33,260
Net Increase (Decrease) in Board Equity	$ 449,331	$ (390,523)
Board Deficit, beginning of period	(19,210,532)	(18,820,009)
Board Deficit, end of period	$ (18,761,201)	$ (19,210,532)

See accompanying notes.

Nova Central School District
Statement of Changes in Capital Fund

Year ended June 30		2011	2010
70	Capital Receipt		
71	Proceeds from Bank Loans		
011	School Construction	$ -	$ -
012	Equipment	-	-
013	Service Vehicles	67,115	-
014	Pupil Transportation	1,940,969	-
015	Other - Energy Performance Contracting	-	-
72	Department of Education Grants		
011	School Construction and Equipment	16,332,839	12,455,994
012	Other	119,941	-
73	Donations		
011	Cash Receipts	-	-
012	Non-Cash Receipts	-	-
013	Restricted Use	-	-
74	Sale of Capital Assets Proceeds		
011	Land	-	-
012	Buildings	11,289	20,122
013	Equipment	-	-
014	Service Vehicles	1,010	-
015	Pupil Transportation Vehicles	3,574	-
016	Other	-	-
75	Other Capital Revenues		
011	Interest on Capital Fund Investments	-	-
012	Premiums on Debentures	-	-
013	Recoveries of Expenditures	-	-
015	Insurance Proceeds	-	22,259
017	Miscellaneous-Energy Grant	-	-
Total Capital Receipts			
77	Transfer from Reserve Account	-	-
78	Transfer to/from Current Fund	1,137	(33,260)
		$ 18,477,874	$ 12,465,115

See accompanying notes.

Nova Central School District
Statement of Changes in Capital Fund (cont'd)

Year ended June 30		2011	2010
80	Capital Disbursements		
81	Additions to Property and Equipment		
011	Land and Sites	$ 16,188	$ 44,765
012	Buildings	16,313,466	12,211,143
013	Furniture and Equipment - School	-	105,077
014	Furniture and Equipment - Other	19,373	-
015	Services Vehicles	105,112	95,009
016	Pupil Transportation	2,006,724	-
017	Other	-	-
82	Principal Repayment of Loans		
011	School Construction	-	-
012	Equipment	-	-
013	Services Vehicles	17,011	9,121
014	Other	-	-
83	Miscellaneous Disbursements		
013	Other	-	-
Total Capital Disbursements		$ 18,477,874	$ 12,465,115

See accompanying notes.

1. Summary of Significant Accounting Policies

The accompanying financial statements have been prepared on a fund accounting basis which is generally accepted for School Boards. Fund accounting can be defined as "accounting procedures in which a self-balancing group of accounts is provided for each fund." It is customary for School Boards to account separately for the current and capital funds.

A summary of significant accounting policies adopted by the Board, relating to their use of fund accounting, is as follows:

a) Grants received by the Board from the Department of Education are recorded in either the current or capital funds depending on the project.

b) Land, buildings and equipment are recorded in the accounts based on estimated values at January 1, 1997. Additions since that date are recorded at full cost in the capital fund.

c) The Board does not calculate or record depreciation on any of its fixed assets.

d) All capital expenditures financed out of current revenue funds are recorded as an expenditure in the current account.

e) Principal Repayment of Pupil Transportation Loans are recorded as Current Expenditures. All other prinicipal repayment of bank loans are recorded as Capital Expenditures.

Severance Pay

The Board has in effect severance pay policies whereby employees are entitled to a severance payment upon leaving employment with the Board. Under these policies, a permanent employee who has nine (9) or more years of continuous service in the employ of the School Board is entitled to be paid on resignation, retirement, termination by reasons of disability, expiry of recall rights, or in the event of death, to the employee's estate, severance pay equal to the amount obtained by multiplying the number of completed years of continuous employment by his weekly salary to a maximum of twenty (20) weeks pay. This liability for severance pay has been accrued in the accounts for all employees who have a vested right to receive such payments.

Severance pay for teachers is paid through the Department of Education. An amount of $1,165,900 has been paid during the 2010-11 fiscal period and is included in employee benefits for teachers.

2. Accounts Receivable

			2011
		Current	
11	131	Provincial Government Grant	$ 12,225,351
	132	Transportation	-
	133	Federal Government	673,316
	134	School Taxes	-
	136	Other School Boards	-
	137	Rent	-
	138	Interest	-
	139	Travel Advances, Schools and Misc.	127,677
		Capital	
11	231	Department of Education-Capital Grants	152,949
	233	Local Contributions	-
	234	Other School Boards	-
	235	Other	-
			13,179,293
		Less: Allowance for uncollectible Government grants	-
			$ 13,179,293

3. Bank Indebtedness - Current

21	131	On Operating Credit	-
	132	On Current Account	-
			$ -

		4. Accounts Payable and Accruals	**2011**
		Current	
21	111	Trade Payables	$ 934,724
	112	Accrued - Liabilities	286,125
	113	- Interest	-
	114	- Wages	1,213,460
	115	Payroll Deductions	282,517
	116	Retail Sales Tax	-
	117	Deferred Grants	997,363
	119	Summer Pay- Teacher	12,139,719
	122	Department of Education	229,933
		Capital	
21	211	Trade Payables	-
	212	Accrued - Liabilities	-
	213	- Interest	-
	217	Deferred Grants	1,584,452
	218	Other	-
			$ 17,668,293

5. Reserve Account - Capital

Description:

Balance, beginning of period	$ -
Less: Transfer to Capital Fund	-
	-
Add: Transfer from Board Equity	-
Balance, end of period	$ -

5A. Reserve Account - Current

	2011
Description:	
Balance, beginning of period	$ -
Less: Current Expenditures	-
Add: Transfer from Board Equity	-
Balance, end of period	$ -

6. Investment in Capital Assets

		2011
Balance, June 30, 2010		$ 191,302,334
Transfer of Operating Funds to Capital Fund		1,137
Grants - Department of Education-Capital Projects	16,452,780	
- Other	-	16,452,780
Proceeds from Sale of Capital Assets- Buildings		15,874
Federal Government Energy Grant		-
Insurance Proceeds		-
		207,772,125
Deduct Adjustments:		
Cost of Assets Sold - Land	-	
- Buildings	515,149	
- School Buses	2,394,270	
- Service Vehicles-Mtce.	51,002	
- Service Vehicles-Bussing	11,000	2,971,421
		204,800,704
Add Adjustments:		
Other - Pupil transportation loan payments made by current fund	1,144,945	
Energy Performance loan payments made by current fund	185,431	1,330,376
23 221 Investment in Capital Assets, end of period		$ 206,131,080

7. Commitments

At the Balance Sheet date, the District had the following commitments:

The District has entered into lease agreements with estimated future payments for the next five years as follows:

2012-$ 148,539
2013-$ 138,842
2014-$ 138,842
2015-$ 136,003
2016-$ 134,753

8. Board Deficiency

Opening Board Deficiency, June 30, 2010	$	(19,210,532)
Net increase(decrease) in Board Equity (Page 4)		449,331
Board Deficiency, June 30, 2011	$	(18,761,201)

9. Department of Education Receivables and Payables

As at June 30, 2011 the Board has recorded the following receivables from the Province of Newfoundland & Labrador - Department of Education.

Accounts Receivable - Current

Amounts due re: Teacher Summer Pay	$	12,139,719
Amounts due re: School Operations		85,632
	$	12,225,351

Accounts Receivable - Capital

Amounts due re: Special Incentives	$	-
Amounts due re: School Construction		152,949
	$	152,949

Accounts Payable

Amounts due re: Other	$	229,933
Amounts due re: Teachers Payroll		-
	$	229,933

Nova Central School District
Current Revenues

Schedule 1

Year Ended June 30			2011	2010
Current Revenues				
31	010	Local Taxation		
	011	School Taxes	$ -	-
32	010	Provincial Government Grants		
	011	Regular Operating Grants	$ 22,877,569	$ 21,980,001
	012	Special Grants (Details on bottom of Schedule 1)	1,115,889	1,755,494
	013	Payroll Tax	1,748,827	1,687,583
		Salaries and Benefits		
	017	Directors and Assistant Directors	1,172,122	1,295,202
	021	Regular Teachers	93,608,797	90,157,795
	021	Student Assistants	2,755,677	2,552,411
	022	Substitute Teachers	4,155,442	4,114,444
	030	Pupil Transportation		
	031	Board Owned	9,825,673	9,314,800
	032	Contracted	1,246,433	1,139,603
	033	Special Needs	516,857	505,127
			139,023,286	134,502,460
33	010	Donations		
	012	Cash Receipts	-	-
	013	Non Cash Receipts	-	-
	014	Restricted Use	-	-
34	010	Ancillary Services	-	-
	011	Revenue from Rental of Residences	-	-
	015	Interest on Schools	-	-
	021	Revenues from Rental of Schools and Facilities (Net)	801	-
	022	Internally Generated Funds - Snow Clearing and Other Incentives	36,000	36,000
	031	Cafeterias	-	-
	032	Other	-	-
			36,801	36,000

Nova Central School District
Current Revenues

Schedule 1 (cont'd)

Year Ended June 30	2011	2010
Current Revenues		
35 010 Miscellaneous		
011 Interest on Investments	100,016	25,736
012 Bus Charters	294,776	305,658
021 Recoveries of Expenditures	82,602	491,032
051 Insurance Proceeds	1,846	9,058
081 Miscellaneous Federal Grant	53,807	59,648
091 Textbooks	-	-
092 Sundry	56,822	94,870
	589,869	986,002
36 011 Transfer from Capital		
Total Current Revenues	$ 139,649,956	$ 135,524,462

Nova Central School District
Current Revenues

Schedule 1 (cont'd)

Year Ended June 30	2011	2010
Special Grants		
French Monitor	$ 31,676	$ 60,657
French Immersion	4,200	5,409
French Teacher Aide	29,016	36,528
French Supplementary Materials	1,234	46,864
Primary Core French	17,000	-
French - ICF Admin Institute	5,500	-
French - Technology	4,550	-
PISA/PCAP Schools	2,742	-
French - ICF Resources	2,900	5,888
French - Smart Boards	18,595	-
St. Pierre Trips	81,159	62,102
French - Recruitment and Training	8,000	7,911
French Camps	58,865	58,537
Kinderstart	5,988	17,800
Tutoring/Work Experience	43,514	41,947
Tutoring/Work Experience - CDLI	30,639	38,191
CDLI	66,706	105,963
Fine Arts	11,607	6,691
Positive Behaviours	-	14,681
Cultural Connections - PD	-	-
Early Childhood	121	9,415
Teacher Induction	-	-
Math Initiatives	37,966	43,488
Math Leadership	-	-
Math Research	16,532	-
Art Works Conference	6,357	32,772
Numeracy Support	28,148	30,616
Student Information System	76,404	-
Healthy Schools	78,160	78,159
Training Initiatives-Special Education	76,098	87,732
French Intermediate Small Schools	-	2,897
Apprenticeship Scholarships	-	5,000
Multi-Age Handbook	13,457	2,794
International Student Fund	-	5,000
Music Equipment	48,171	128,242
Apprenticeship Program (Salaries)	76,711	88,446
Intermediate Library Initiative	112,021	25,850
Enhanced/School Inspections	27,014	55,110
Whiteboards	-	140,578
Bus Depots - Life Safety Projects	2,093	95,431
School Board Elections	-	29,524
Youth Retention Strategy	12,595	-
Speech Language Pathology	6,786	-
ASD S&C	20,439	-
Miscellaneous Repairs and Maintenance	52,925	385,271
	$ 1,115,889	$ 1,755,494

Nova Central School District
Administration Expenditures

Schedule 2

Year Ended June 30	2011	2010
51 011 Salaries and Benefits - Director and Assistant Directors	$ 1,172,123	$ 1,296,335
012 Salaries and Benefits - Board Office Personnel	1,715,138	1,813,383
013 Office Supplies	62,592	60,159
014 Replacement Furniture and Equipment	35,972	33,060
015 Postage	42,446	45,389
016 Telephone	87,262	93,537
017 Office Equipment Rentals and Repairs	28,707	30,301
018 Bank Charges	566	359
019 Electricity	140,753	143,947
021 Fuel	-	-
022 Insurance	4,204	4,548
023 Repairs and Maintenance (Office Building)	44,080	48,500
024 Travel	116,221	109,651
025 Board Meeting Expenses	77,746	60,679
026 Election Expenses	-	29,524
027 Professional Fees	126,367	84,403
028 Advertising	49,745	59,106
029 Membership Dues	76,008	70,921
031 Municipal Taxes	43,015	41,483
034 Miscellaneous	175,704	49,885
035 Payroll Tax	29,924	28,195
Total Administration Expenditures	$ 4,028,573	$ 4,103,365

Nova Central School District
Instruction Expenditures

Schedule 3

Year Ended June 30			2011	2010
52	010	Instructional Salaries (Gross)		
	011	Teachers' Salaries - Regular	$ 79,408,779	$ 76,252,442
	012	- Substitute	4,155,442	4,248,234
	013	- Board Paid	-	-
	013	- Student Assistants	2,731,450	2,478,764
	014	Augmentation	-	-
	015	Employee Benefits	14,199,140	13,907,090
	016	School Secretaries - Salaries and Benefits	2,477,072	2,388,823
	017	Payroll Tax	1,791,866	1,729,257
	018	IMC Salary	35,299	33,812
			$ 104,799,048	$ 101,038,422
52	040	Instructional Materials		
	041	General Supplies	$ 708,819	$ 818,721
	042	Library Resource Materials	76,998	85,204
	043	Teaching Aids	526,068	463,848
	044	Curriculum Initiatives	-	-
			$ 1,311,885	$ 1,367,773
52	060	Instructional Furniture and Equipment		
	061	Replacement	$ 754,170	$ 782,371
	062	Rentals and Repairs	218,472	229,960
			$ 972,642	$ 1,012,331
52	080	Instructional Staff Travel		
	081	Program Co-ordinators	$ 59,677	$ 72,447
	082	Teachers' Travel	222,176	286,325
	083	Inservice and Conferences	175,795	148,113
			$ 457,648	$ 506,885
	090	Other Instructional Costs		
52	091	Postage and Stationary	-	-
	092	Miscellaneous	$ 1,164,639	$ 1,093,584
			$ 1,164,639	$ 1,093,584
			$ 108,705,862	$ 105,018,995

Nova Central School District

Operations and Maintenance Expenditures - Schools

Schedule 4

Year Ended June 30			2011	2010
53 011	Salaries and Benefits - Janitorial		$ 3,778,399	$ 3,825,286
012	Salaries and Benefits - Maintenance		2,285,061	2,167,854
013	Payroll Tax		108,842	78,202
014	Electricity		3,043,129	3,062,981
015	Fuel		757,344	656,601
016	Municipal Service Fees		357,492	282,762
017	Telephone		408,987	385,028
018	Vehicle Operating and Travel		171,860	166,325
019	Janitorial Supplies		273,663	311,411
021	Janitorial Equipment		38,822	88,072
022	Repairs and Maintenance	- Building	1,082,007	1,262,331
023		- Equipment	6,565	4,427
024	Contracted Services - Janitorial		303,153	277,565
025	Snow Clearing		673,918	463,639
027	Other		453,926	958,701
Total Operations and Maintenance Expenditures			$ 13,743,168	$ 13,991,185

Nova Central School District
Pupil Transportation Expenditures

Schedule 5

Year Ended June 30		2011	2010
54 010	Operation and Maintenance of Board Owned Fleet		
011	Salaries and Benefits - Administration	**$ 233,455**	$ 218,780
012	Salaries and Benefits - Drivers and Mechanics	**5,985,675**	5,861,084
013	Payroll Tax	**101,803**	98,875
014	Debt Repayment - Interest	**127,542**	77,609
015	- Principal	**1,118,236**	1,026,309
016	Bank Charges	**-**	-
017	Gas and Oil	**1,210,197**	1,114,323
018	Licences	**110,350**	107,790
019	Insurance	**107,362**	106,450
021	Repairs and Maintenance - Fleet	**620,148**	653,101
022	- Building	**84,720**	60,088
023	Tires and Tubes	**89,084**	89,327
024	Heat and Light	**89,090**	65,290
025	Municipal Services	**8,695**	8,768
026	Snow Clearing	**37,564**	31,825
027	Office Supplies	**17,210**	21,000
029	Travel	**12,991**	11,877
031	Professional Fees	**7,129**	7,500
032	Miscellaneous	**92,263**	85,850
033	Telephone	**48,416**	52,307
		$ 10,101,930	$ 9,698,153
54 040	Contracted Services		
041	Regular Transportation	**1,246,433**	1,139,603
042	Handicapped	**516,887**	505,127
		1,763,320	1,644,730
Total Pupil Transportation Expenditures		**$ 11,865,250**	$ 11,342,883

Nova Central School District
Ancillary Services and Miscellaneous Expenses

Year Ended June 30		2011	2010
Ancillary Services			Schedule 6
55	Ancillary Services		
011	Operations of Teachers' Residence	$ -	$ -
013	Janitorial	-	-
031	Cafeterias	12	39,398
032	Other	2,226	-
		$ 2,238	$ 39,398

Miscellaneous Expenses Schedule 7

The Board has incurred the following miscellaneous expenses:

		2011	2010
57 001	Miscellaneous	-	-
		$ -	$ -

Nova Central School District
Details of Property and Equipment

Schedule 8

Year Ended June 30, 2011

			Balance June 30, 2010	Adjustment/ Transfer Current Year	Additions 2011	Disposals 2011	Balance June 30, 2011
Land and Sites							
12	210	Land and Sites					
	211	Land and Sites	2,762,670	-	16,188	-	2,778,858
12	212	Land Improvements	2,762,670	-	16,188	-	2,778,858
12	220	Buildings					
	221	Schools	152,114,998	-	16,033,133	515,149	167,632,982
	222	Administration	4,898,931	-	117,252	-	5,016,183
	223	Residential	-	-	-	-	-
	224	Recreation	-	-	-	-	-
	225	Other - Maintenance	136,323	-	-	-	136,323
			157,150,252	-	16,150,385	515,149	172,785,488
12	230	Furniture & Equipment					
	231	Schools	20,364,832	-	-	-	20,364,832
	232	Administration	2,023,839	-	19,373	-	2,043,212
	233	Residential	-	-	-	-	-
	234	Recreation	-	-	-	-	-
	235	Other - Maintenance	14,728	-	-	-	14,728
			22,403,399	-	19,373	-	22,422,772
12	240	Vehicles					
	241	Service Vehicles	275,688	-	105,113	51,002	329,799
12	250	Pupil Transportation					
	251	Land	60,817	-	-	-	60,817
	252	Building	853,699	-	163,080	-	1,016,779
	253	Vehicles - Buses	13,913,452	-	1,940,969	2,394,270	13,460,151
	254	- Service	220,888	-	65,755	11,000	275,643
	255	Equipment	69,840	-	-	-	69,840
	256	Other	-	-	-	-	-
			15,118,696	-	2,169,804	2,405,270	14,883,230
12	260	Miscellaneous Capital Assets					
	261	Other	-	-	-	-	-
Total Property & Equipment			$ 197,710,705	$ -	$18,460,863	$ 2,971,421	$ 213,200,147

Land, buildings and equipment have been recorded in the accounts at estimated values at January 1, 1997. Additions since that date have been recorded at cost. Lands and sites on which some of the buildings are erected are vested in the former school boards or denominational education councils or churches. All real and personal property used for the purpose of education by Nova Central School District will be subject to the terms and conditions contained in Section 84 of the 1997 Schools Act.

Nova Central School District
Details of Long Term Debt

Schedule 9

Year Ended June 30, 2011

Bank loans, mortgages and debentures, approved by the
Board and the Government of Newfoundland and Labrador

22 210 Loans Other Than Pupil Transportation

Ref.#

211 Bank Loans	
___Repayable $ 15,452 monthly, maturing 2015	$ 598,807
___Repayable $______ monthly, maturing	-
___Repayable $______ monthly, maturing	-
___Repayable $______ monthly, maturing	-
___Repayable $______ monthly, maturing	-
Total 211	$ 598,807
212 Mortgages	
___Repayable $______ monthly, maturing	-
___Repayable $______ monthly, maturing	-
___Repayable $______ monthly, maturing	-
Total 212	-
213 Vehicles	
___Repayable $ 539.62 monthly, maturing 2013	9,186
___Repayable $ 731.53 monthly, maturing 2013	15,117
___Repayable $ 552.61 monthly, maturing 2013	9,408
___Repayable $ 730.38 monthly, maturing 2013	11,709
___Repayable $ 619.21 monthly, maturing 2013	11,257
___Repayable $ 555.10 monthly, maturing 2011	1,101
Total 213	57,778
Subtotal	656,585
215 Less: Current Maturities	220,956
Total Loans Other Than Pupil Transportation	$ 435,629

Nova Central School District
Details of Long Term Debt

Schedule 9 (cont'd)

Year Ended June 30, 2011

22 220 Loans - Pupil Transportation

Ref.#

221 Vehicle Bank Loans	
Prime-1% Repayable $13,293 monthly, maturing 2023	$ 1,794,619
Prime-1% Repayable $1,537 monthly, maturing 2011	6,148
Prime-1% Repayable $3,648 monthly, maturing 2012	40,124
Prime-1% Repayable $6,277 monthly, maturing 2013	156,928
Prime-1% Repayable $1,125 monthly, maturing 2014	46,133
Prime-1% Repayable $2,914 monthly, maturing 2015	131,230
Prime-1% Repayable $3,794 monthly, maturing 2016	242,827
Prime-1% Repayable $2,090 monthly, maturing 2013	50,167
Prime-1% Repayable $2,738 monthly, maturing 2014	98,551
Prime-1% Repayable $2,793 monthly, maturing 2015	125,699
Prime-1% Repayable $1,084 monthly, maturing 2016	68,295
Prime-1% Repayable $ 21,563 monthly, maturing 2017	1,574,104
Prime-1% Repayable $ 24,443 monthly, maturing 2019	2,077,658
Subtotal	6,412,483
223 Less: Current Maturities	1,023,000
Total Loans - Pupil Transportation	5,389,483
Total Long Term Debt	$ 5,825,112

Nova Central School District
Summary of Long Term Debt

Schedule 9A

June 30, 2011

Description	Ref.#	Rate	Balance June 30 2010	Loans Obtained During Period	Principal Repayment for Period	Balance June 30 2011
A) 1. School Construction		Prime - 1%	$ -	$ -	$ -	$ -
2. Restructuring		Prime - 1%	-	-	-	-
B) Equipment			-	-	-	-
C) Service						-
Vehicle			7,674	69,197	19,093	57,778
D) Other - Energy		Prime - 1%				-
Performance Contracting			784,238	-	185,431	598,807
E) Pupil Transportation		Prime - 1%	5,616,460	1,940,969	1,144,946	6,412,483
Total Loans			$ 6,408,372	$ 2,010,166	$ 1,349,470	$ 7,069,068
Less: Current Maturities			1,218,241			1,243,956
Total Loans			$ 5,190,131	$ 2,010,166	$ 1,349,470	$ 5,825,112

Nova Central School District
Schedule of Current Maturities

Schedule 9B

June 30, 2011

Description	2012	2013	2014	2015	2016
A) School Construction	$ 185,424	185,424	185,424	42,535	
B) Equipment					
C) Service Vehicles	35,532	22,246			
D) Other					
E) Pupil Transportation	1,023,000	995,179	901,031	845,680	814,486
Total	$1,243,956	$ 1,202,849	$ 1,086,455	$ 888,215	$ 814,486

Nova Central School District
Schedule of Interest Expenses

Schedule 9C

Year Ended June 30	2011	2010
Description		
012 Capital		
School Construction Restructuring	$ -	$ -
Equipment	-	-
Service Vehicles	2,083	411
Other	-	-
Pupil Transportation	-	-
Total Capital	2,083	411
013 Current - Operating Loans	-	-
- Supplier Interest Charges	1,620	301
Total Current	1,620	301
Total Interest Expense	$ 3,703	$ 712

Nova Central School District
Supplementary Information

Year Ended June 30		2011	2010
1.	**Cash**		
	Current		
11 110	Cash on Hand and in Bank		
111	Cash on Hand	$ 900	$ 700
112	Bank - Current	7,357,141	7,013,471
114	- Teachers' Payroll	6,318	8,387
115	- Support Staff Payroll	879,589	237,419
	Capital		
11 210	Cash on Hand and in Bank	-	-
211	Cash on Hand	-	-
212	Bank - Current	-	-
213	- Savings	-	-
214	- Other	-	-
Total Cash on Hand and in Bank		$ 8,243,948	$ 7,259,977
2.	**Short Term Investments**		
	Current		
11 121	Term Deposits	$ -	$ -
122	Canada Savings Bonds	-	-
123	Other	-	-
		-	-
	Capital		
11 221	Term Deposits	-	-
222	Canada Savings Bonds	-	-
223	Other	-	-
Total Short Term Investments		$ -	$ -

Nova Central School District
Supplementary Information (Cont'd)

Year Ended June 30				2011	2010
3.		**Prepaid Expenses**			
		Current			
11	141	Insurance		-	-
	142	Municipal Service Fees		$ 167,470	$ 158,620
	143	Supplies		-	-
	144	Other	- WHSCC	256,312	359,468
			- Travel	-	-
			- Miscellaneous	184,032	134,104
		Capital			
11	241	Other (School Buses)		-	-
				$ 607,814	$ 652,192

OFFICE OF THE HIGH SHERIFF
OF NEWFOUNDLAND AND LABRADOR

FINANCIAL STATEMENTS

31 MARCH 2012

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

To the High Sheriff of Newfoundland and Labrador
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Office of the High Sheriff of Newfoundland and Labrador which comprise the balance sheet as at 31 March 2012, and the statement of revenues and expenses for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Section 10 of the *Sheriff's Act, 1991*, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Auditor's Report (cont.)

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Office of the High Sheriff of Newfoundland and Labrador as at 31 March 2012, and its revenues and expenses for the year then ended in accordance with the accounting policies described in note 1 to these financial statements.

Other Matters

These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information of the Office of the High Sheriff of Newfoundland and Labrador and the Government of Newfoundland and Labrador to meet their information needs under Section 10 of the *Sheriff's Act, 1991*. These financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose.

TERRY PADDON, CA
Auditor General

20 September 2012
St. John's, Newfoundland and Labrador

OFFICE OF THE HIGH SHERIFF OF NEWFOUNDLAND AND LABRADOR
BALANCE SHEET

31 March	Trust Fund (Note 2)	Revenue Fund (Note 3)	Trial and Jury Fund (Note 4)	2012	2011
ASSETS					
Cash	$ 204,695	$ 1,300	$ 13,975	$ 219,970	$ 99,096
Accounts receivable	2,120	123,833	6,214	132,167	139,533
Inventory held in trust (Note 1)	-	-	-	-	1
	$ 206,815	$ 125,133	$ 20,189	$ 352,137	$ 238,630
LIABILITIES					
Accounts payable	$ -	$ -	$ -	$ -	$ 2,339
Trust account, court orders	205,179	-	-	205,179	77,060
Due to Consolidated Revenue Fund	1,636	125,133	189	126,958	139,231
Trial and jury account	-	-	20,000	20,000	20,000
	$ 206,815	$ 125,133	$ 20,189	$ 352,137	$ 238,630

Contingent liability (Note 5)

See accompanying notes

Signed on behalf of the Office: ______________________

High Sheriff

OFFICE OF THE HIGH SHERIFF OF NEWFOUNDLAND AND LABRADOR
STATEMENT OF REVENUES AND EXPENSES

For the Year Ended 31 March

	Trust Fund (Note 2)	Revenue Fund (Note 3)	Trial and Jury Fund (Note 4)	2012	2011
REVENUES					
Court orders	$ 2,940,951	$ -	$ -	$ 2,940,951	$ 3,084,648
Service fees	-	1,907,559	-	1,907,559	1,922,266
Registration fees, court orders	-	163,942	-	163,942	168,004
Replenishment of trial and jury bank account	-	-	28,807	28,807	30,514
Interest	3,182	-	185	3,367	2,572
	$ 2,944,133	$ 2,071,501	$ 28,992	$ 5,044,626	$ 5,208,004
EXPENSES					
Court orders	$ 2,940,951	$ -	$ -	$ 2,940,951	$ 3,084,648
Consolidated Revenue Fund	1,567	2,071,501	185	2,073,253	2,091,447
Trial and jury expenses	-	-	28,807	28,807	30,514
Bank fees	1,615	-	-	1,615	1,395
	$ 2,944,133	$ 2,071,501	$ 28,992	$ 5,044,626	$ 5,208,004

See accompanying notes

Authority

The Office of the High Sheriff of Newfoundland and Labrador operates under the authority of the *Judgment Enforcement Act* and *Regulations*, implemented 1 June 1997 and the *Sheriff's Act, 1991*. The Office is the enforcement arm of the Supreme Court of Newfoundland and Labrador and the Provincial Courts (the Courts), and has the responsibility of enforcing all monetary judgments issued by these Courts. This includes the attachment and seizure of real and personal property. The Office is also responsible for the service of court documents, the administration of the jury system and court security.

1. Basis of accounting

These financial statements have been prepared by the Office of the High Sheriff of Newfoundland and Labrador in accordance with the summary of significant accounting policies set out below to meet the information needs of the Office of the High Sheriff of Newfoundland and Labrador and the Government of Newfoundland and Labrador under Section 10 of the *Sheriff's Act, 1991*. The basis of accounting used in these financial statements materially differs from Canadian generally accepted accounting principles because revenues related to Court orders are being recognized on a cash basis and not all expenditures related to the operations of the Office are reflected in these statements.

Summary of significant accounting policies

These financial statements have been prepared on the accrual basis of accounting except for Court order revenues which are recorded on a cash basis. Outlined below are the significant accounting policies followed.

(a) Administrative expenditures

The Office of the High Sheriff of Newfoundland and Labrador, for administrative purposes, operates as a division of the Department of Justice. Therefore, expenditures related to salaries, accommodations and administration are absorbed by the Department of Justice and no provision has been made in these financial statements for those expenditures.

(b) Inventory held in trust

Inventory held in trust consists of real or personal property seized by the Office of the High Sheriff of Newfoundland and Labrador as the result of a Court order. When inventory is on hand at year end, it is recorded in these financial statements at a nominal value of $1 as valuation of these assets is not readily determinable. These assets are recorded in the records of the Office of the High Sheriff of Newfoundland and Labrador at an estimated value for administrative purposes.

2. Trust Fund

A trust bank account has been established to accommodate the receipt of funds collected from defendants and the payment of these funds to plaintiffs.

3. Revenue Fund

Revenues collected for various services provided by the Office of the High Sheriff of Newfoundland and Labrador are deposited directly to the Province's Consolidated Revenue Fund.

4. Trial and Jury Fund

The Office of the High Sheriff of Newfoundland and Labrador is responsible for jury administration in the Province and maintains a recurring accountable advance of $20,000 to pay expenses associated with this duty. This advance is replenished as required throughout the year by claims submitted to the Department of Justice.

5. Contingent liability

The Office of the High Sheriff is aware of a potential claim for personal injuries sustained by a complainant at the holding cells of the Provincial Court located in Atlantic Place. While the complainant has obtained legal counsel no Statement of Claim has been issued against the Office of the High Sheriff. Therefore, the likelihood of loss is not determinable and the amount of the loss cannot be reasonably estimated.

A claim has been made against the Office of the High Sheriff of Newfoundland and Labrador and the Canada Customs and Revenue Agency, in the Supreme Court Trial Division, for damages arising from a Judgment Enforcement matter. An amount cannot be estimated at this time as the portion of the claim for which the Office of the High Sheriff may be responsible has not been determined.

6. Related party transactions

Service fees, search fees and registration fees collected, and interest earned, net of bank fees, are paid into the Province's Consolidated Revenue Fund.

7. Income taxes

The Office of the High Sheriff of Newfoundland and Labrador is a division of the Department of Justice and as such is not subject to Provincial or Federal income taxes.

OFFICE OF THE PUBLIC TRUSTEE

FINANCIAL STATEMENTS

31 MARCH 2012

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

To the Public Trustee
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Office of the Public Trustee, which comprise the statement of fund balances as at 31 March 2012 and the statements of changes in fund balance for the Estate/Trust Fund, and Administration Fund for the period 10 June 2011 to 31 March 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting policies described in Note 1 to meet the information needs of the Office of the Public Trustee, and the Government of Newfoundland and Labrador under Section 21 of the *Public Trustee Act, 2009*, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Auditor's Report (cont.)

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Office of the Public Trustee as at 31 March 2012, and the results of its operations for the period 10 June 2011 to 31 March 2012 in accordance with the accounting policies described in note 1 to these financial statements.

Report on Other Legal and Regulatory Requirements

These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information of the Office of the Public Trustee, and the Government of Newfoundland and Labrador under section 21 of the *Public Trustee Act, 2009*. These financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose.

TERRY PADDON, CA
Auditor General

12 October 2012
St. John's, Newfoundland and Labrador

STATEMENT 1

OFFICE OF THE PUBLIC TRUSTEE
STATEMENT OF FUND BALANCES
31 March 2012

	Estate/Trust Fund (Note 2)	Administration Fund (Note 4)	
ASSETS			
Cash	$ 13,935,068	$ 287,582	$ 14,222,650
Investments (Note 5)	15,482,493	-	15,482,493
Real estate and other assets (Note 1)	1	-	1
Total assets	$ 29,417,562	$ 287,582	$ 29,705,144
Total Fund balances	$ 29,417,562	$ 287,582	$ 29,705,144

See accompanying notes

Signed:
Public Trustee

OFFICE OF THE PUBLIC TRUSTEE
STATEMENT OF CHANGES IN FUND BALANCE
ESTATE/TRUST FUND
For the Period 10 June 2011 to 31 March 2012

INCREASES

Transfers from Registrar of the Supreme Court - Estate/Trust Fund	$ 26,455,338
Transfers from Registrar of the Supreme Court - Supreme Court Fund	2,652,619
Estate/trust assets received	3,312,252
Investment income	329,392
Pension, compensation and assistance	2,051,655
Sale of chattels	482,367
Sale of real estate	1,888,970
	37,172,593

DECREASES

Commissions charged and paid to Administration Fund	178,330
Estates/trusts completed	3,983,890
Estate/trust disbursements	3,411,364
Revaluation of investments	158,112
Harmonized sales tax paid to Administration Fund	22,957
Unclaimed estates paid to Administration Fund	378
	7,755,031
Net increase	29,417,562
Fund balance, beginning of period	-
Fund balance, end of period	$ 29,417,562

See accompanying notes

OFFICE OF THE PUBLIC TRUSTEE
STATEMENT OF CHANGES IN FUND BALANCE
ADMINISTRATION FUND
For the Period 10 June 2011 to 31 March 2012

INCREASES		
Transfers from Registrar of the Supreme Court - Administration Fund	$	581,108
Commissions received from Estate/Trust Fund		178,330
Investment income		5,413
Harmonized sales tax received from Estate/Trust Fund		22,957
Refunds to Special Reserve		2,487
Harmonized sales tax refunded from Federal Government		332
Unclaimed estates received from Estate/Trust Fund		378
		791,005
DECREASES		
Commissions paid to Consolidated Revenue Fund		420,680
Harmonized sales tax remitted to Federal Government		54,105
Office administration expenses paid from Special Reserve Fund		26,581
Professional fees		1,679
Unclaimed estates paid to Consolidated Revenue Fund		378
		503,423
Net increase		287,582
Fund balance, beginning of period		-
Fund balance, end of period	$	287,582

See accompanying notes

Authority

The Office of the Public Trustee operates under the authority of the *Public Trustee Act, 2009*.

The Public Trustee administers estates of deceased persons when appointed personal representative by the Supreme Court of Newfoundland and Labrador and administers trusts of minors and mentally disabled persons when appointed guardian by the Court or by virtue of Section 20 of the *Mentally Disabled Persons' Estates Act*.

The Public Trustee also has custody of monies paid to the Supreme Court under various statutes.

Pursuant to the *Public Trustee Act, 2009*, which was proclaimed into effect on 10 June 2011, the authority of the Registrar of the Supreme Court was transferred to the Public Trustee.

1. Basis of accounting

These financial statements have been prepared by the Office of the Public Trustee in accordance with the significant accounting policies set out below to meet the information needs of the Office of the Public Trustee for Newfoundland and Labrador, and the Government of Newfoundland and Labrador under Section 21 of the *Public Trustee Act, 2009*. The basis of accounting used in these financial statements materially differs from Canadian generally accepted accounting principles because all receipts and disbursements are being recognized on a cash basis and not all expenditures related to the operations of the Office of the Public Trustee are reflected in these statements.

Summary of significant accounting policies

These financial statements are prepared on the cash basis of accounting. Outlined below are the significant accounting policies followed.

(a) Administrative expenditures

The Office of the Public Trustee, for administrative purposes, operates as a Crown corporation under the jurisdiction of the Department of Justice. Expenditures related to salaries, accommodations and administration are absorbed by the Department of Justice and no provision has been made in these financial statements for the cost of these items. However, office administration expenditures paid from the Office of the Public Trustee's Special Reserve Fund under Section 22(2) of the *Public Trustee Act, 2009* are recorded in these financial statements in the amount of $26,581 for the period 10 June 2011 to 31 March 2012.

(b) Investments

Investments consist of Bank and Trust Company Guaranteed Investment Certificates, Canada Savings Bonds, mortgages, pre-arranged funerals, Registered Retirement Savings Plans/Income Funds, Registered Education Savings Plans and shares owned by estates at the dates of appointment of the Registrar. Such investments are recorded at face or market value, except for mortgages which are recorded at face value net of principal payments received.

1. Basis of accounting (cont.)

Summary of significant accounting policies (cont.)

(c) Real estate and other assets

Real estate and other assets are recorded in these financial statements at an aggregate nominal value of $1 as valuation of these assets is not readily determinable. These assets are recorded in the client accounts at estimated market value for administrative purposes.

(d) Capital assets

Capital assets are charged to expenditure in the year of acquisition.

2. Estate/Trust Fund

The Office of the Public Trustee, in certain cases, is appointed by the Court as personal representative of the estates of deceased persons or as guardian of the trusts of minors and mentally disabled persons. The trust accounts of the Office of the Public Trustee include monies and other assets held on behalf of such estates/trusts. In addition, there are other monies held in trust as a result of various court actions.

3. Office of the Public Trustee

The funds under the control of the Office of the Public Trustee are received under the following Acts, and Rules and Regulations thereunder:

(a) *Public Trustee Act, 2009*
(b) *Enduring Powers of Attorney Act*
(c) *Judicature Act*
(d) *Life Insurance Act*
(e) *Mentally Disabled Persons Estates Act*
(f) *Trustee Act*

4. Administration Fund

The Administration Fund was established to record monies collected pursuant to Section 11 of the *Public Trustee Act, 2009*. It is comprised primarily of a Special Reserve Fund consisting of interest earned in the Estate/Trust Fund in excess of that allocated to clients in accordance with Section 10 of the *Public Trustee Act, 2009*. Other monies flowing through the Administration Fund include commissions and unclaimed assets to be paid over to the Consolidated Revenue Fund, and Harmonized sales tax collected on commissions to be paid over to the Federal Government.

5. Investments

	31 March 2012
Total investments held for all Funds is comprised of the following:	
Guaranteed Investment Certificates and Canada Savings Bonds	$ 10,929,097
Mortgages	139,860
Pre-arranged funerals	293,844
Cash surrender value - life insurance	81,684
Registered Retirement Savings Plans/Income Funds and Registered Education Savings Plans	3,883,810
Shares	154,198
	$ 15,482,493

6. Related party transactions

Commissions earned and service fees are paid into the Province's Consolidated Revenue Fund.

7. Income taxes

The Office of the Public Trustee is an entity of the Crown and as such is not subject to Provincial or Federal income taxes.

8. Transfers to the Public Trustee

Pursuant to the *Public Trustee Act, 2009* which was proclaimed into effect on 10 June 2011, the authority of the Registrar was transferred to the Public Trustee. As a result, funds were transferred between accounts in advance of the legislation, to ensure authority over the trust accounts would be maintained.

PRIVATE TRAINING CORPORATION

TRAIN OUT FUND

FINANCIAL STATEMENTS

31 DECEMBER 2011

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

To the Board of Directors
Private Training Corporation
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Private Training Corporation Train Out Fund which comprise the balance sheet as at 31 December 2011, the income statement and statement of retained earnings and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Auditor's Report (cont.)

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Private Training Corporation Train Out Fund as at 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

WAYNE R. LOVEYS, CMA
Auditor General (A)

9 May 2012
St. John's, Newfoundland and Labrador

PRIVATE TRAINING CORPORATION
TRAIN OUT FUND
BALANCE SHEET

	31 December 2011	31 December 2010	1 January 2010
ASSETS			
Current			
Cash	$ **34,832**	$ 46,965	$ 91,202
Short-term investments (Note 3)	**3,166,188**	939,044	1,124,746
Accounts receivable from private training institutions	**57,431**	74,772	68,428
	3,258,451	1,060,781	1,284,376
Long-term investments (Note 4)	-	1,889,406	1,300,807
	$ **3,258,451**	$ 2,950,187	$ 2,585,183
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities	$ **3,291**	$ 10,805	$ 12,111
Shareholders' Equity			
Retained earnings	**3,255,160**	2,939,382	2,573,072
	$ **3,258,451**	$ 2,950,187	$ 2,585,183

See accompanying notes

Signed on behalf of the Corporation: **Chairperson** **Director**

PRIVATE TRAINING CORPORATION
TRAIN OUT FUND
INCOME STATEMENT AND STATEMENT OF RETAINED EARNINGS

For the Year Ended 31 December	2011	2010
REVENUE		
Contributions from private training institutions	$ 281,073	$ 338,126
Investment income	33,526	22,382
	314,599	360,508
EXPENSES		
Board expenses (Note 5)	5,300	5,300
Office expense	732	2,112
Professional fees	6,425	5,380
	12,457	12,792
Income before the undernoted	302,142	347,716
Unrealized gain on investments	13,636	18,594
Net income	315,778	366,310
Retained earnings, beginning of year	2,939,382	2,573,072
Retained earnings, end of year	$ 3,255,160	$ 2,939,382

See accompanying notes

PRIVATE TRAINING CORPORATION
TRAIN OUT FUND
STATEMENT OF CASH FLOWS

For the Year Ended 31 December	2011	2010
Cash flows from operating activities		
Net income	$ 315,778	$ 366,310
Change in non-cash working capital		
Accounts receivable from private training institutions	17,341	(6,344)
Accounts payable and accrued liabilities	(7,514)	(1,306)
	325,605	358,660
Cash flows from investing activities		
Purchase of long-term investment	-	(588,599)
Disposal of long-term investments	1,889,406	-
Net increase (decrease) in cash and cash equivalents	2,215,011	(229,939)
Cash and cash equivalents, beginning of year	986,009	1,215,948
Cash and cash equivalents, end of year	$ 3,201,020	$ 986,009
Cash and cash equivalents include:		
Cash	$ 34,832	$ 46,965
Short-term investments	3,166,188	939,044
	$ 3,201,020	$ 986,009

See accompanying notes

Authority

The Private Training Corporation (the Corporation), established 1 January 1999, operates under the authority of the *Private Training Institutions Act*. The purpose of the Corporation is to operate the Train Out Fund to provide compensation to students to complete their training where a private training institution fails to fulfill its training to students due to closure, and to monitor the financial operations of all private training institutions. Private training institutions make contributions to the Fund based on a percentage of the student tuition.

1. Summary of significant accounting policies

These financial statements have been prepared by the Corporation's management in accordance with Canadian accounting standards for private enterprises and are in accordance with Canadian generally accepted accounting principles. They include the following significant accounting policies:

Measurement of financial instruments

The Corporation initially measures its financial assets and financial liabilities at fair value. The Corporation subsequently measures all its financial assets and liabilities at cost, except for investments, which are subsequently measured at fair value. Changes in fair value are recognized in net income.

The fair value of the investments was determined based on the market value at year end.

Financial assets measured at cost include cash and accounts receivable.

Financial liabilities measured at cost include accounts payable and accrued liabilities.

2. Impact of the Change in the Basis of Accounting

The Corporation elected to apply the Accounting Standards for Private Enterprises, Part II of the Canadian Institute of Chartered Accountants (CICA) Handbook, in accordance with Canadian generally accepted accounting principles.

These financial statements are the first financial statements for which the Corporation has applied the Canadian accounting standards for private enterprise, hereafter referred to as "ASPEs".

The financial statements for the year ended 31 December 2011 were prepared in accordance with the provisions set out in the First-Time Adoption, Section 1500, of the *CICA Handbook*.

As a result of adoption of these accounting principles, the 2010 comparative financial statements have been restated as follows:

2. Impact of the Change in the Basis of Accounting (cont.)

(a) Opening balance sheet as at 1 January 2010:

	Balance sheet as at 1 January 2010 based on previous financial statements	Changes in retained earnings	Balance sheet as at 1 January 2010 based on ASPEs
ASSETS			
Current			
Cash	$ 91,202	$ -	$ **91,202**
Short-term investments	1,116,755	7,991	**1,124,746**
Investment income receivable	18,506	(18,506)	-
Accounts receivable from private training institutions	68,428	-	**68,428**
	1,294,891	(10,515)	**1,284,376**
Long-term investments	1,290,292	10,515	**1,300,807**
	$ 2,585,183	$ -	$ **2,585,183**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities	$ 12,111	$ -	$ **12,111**
Retained earnings	2,573,072	-	**2,573,072**
	$ 2,585,183	$ -	$ **2,585,183**

2. Impact of the Change in the Basis of Accounting (cont.)

(b) Reconciliation of previously reported 2010 net income with the 2010 ASPE balances shown in these statements:

	Income statement for the year ended 31 December 2010 based on previous financial statements	Changes in retained earnings	Income statement for the year ended 31 December 2010 based on ASPEs
REVENUE			
Contributions from private training institutions	$ 338,126	$ -	$ **338,126**
Investment income	40,976	(18,594)	**22,382**
	379,102	(18,594)	**360,508**
EXPENSES			
Board expenses	5,300		**5,300**
Office expense	2,112		**2,112**
Professional fees	5,380	-	**5,380**
	12,792	-	**12,792**
Income before the undernoted	366,310	(18,594)	**347,716**
Unrealized gain on investments	-	18,594	**18,594**
Net income	$ 366,310	$ -	$ **366,310**

3. Short-term investments

Short-term investments of $3,166,188 (2010 - $939,044) in guaranteed investment certificates are valued at fair value based upon the market value at year end. Maturity dates range from 13 February 2012 to 12 December 2012 with interest rates from 1% to 2.25%.

4. Long-term investments

Long-term investments of $0 (2010 - $1,889,406) in guaranteed investment certificates were valued at fair value based upon market value at year end.

5. Related party transaction

Board expenses of $5,300 (2010 - $5,300) includes $5,300 (2010 - $5,300) that the Corporation reimburses the Department of Education for performance of certain duties related to the administration of the Train Out Fund.

6. Financial instruments

The Corporation's short-term financial instruments recognized on the balance sheet consist of cash, short-term investments, accounts receivable from private training institutions, and accounts payable and accrued liabilities. The short-term investments are valued at fair market value. The carrying value of the other instruments approximate current fair value due to their short-term nature. Any estimated impairment of accounts receivable would have been provided through an allowance for doubtful accounts and no further credit risk or interest rate risk exists in relation to the financial instruments.

The Corporation has also held long-term investments. These investments are valued at fair market value and there is no interest rate risk associated with these investments.

7. Comparative figures

Certain figures in the 2010 financial statements have been reclassified to conform with the basis of presentation used in 2011.

PROVINCE OF NEWFOUNDLAND AND LABRADOR
POOLED PENSION FUND

FINANCIAL STATEMENTS

31 DECEMBER 2011

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

To the Trustee
Province of Newfoundland and Labrador
Pooled Pension Fund
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Province of Newfoundland and Labrador Pooled Pension Fund, which comprise the statement of financial position as at 31 December 2011, and the statements of changes in net assets available for benefits, and changes in pension obligations for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for pension plans, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Auditor's Report (cont.)

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Province of Newfoundland and Labrador Pooled Pension Fund as at 31 December 2011 and the changes in its net assets available for benefits and changes in its pension obligations for the year then ended in accordance with Canadian accounting standards for pension plans.

Sandra Russell

SANDRA RUSSELL, CA
Deputy Auditor General (A)

St. John's, Newfoundland and Labrador
26 June 2012

PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND
STATEMENT OF FINANCIAL POSITION

31 December	2011	2010
	(000's)	(000's) Restated (Note 1)
ASSETS		
Investments (Note 2)		
Short-term notes and deposits	$ 54,012	$ 74,020
Bonds and debentures	1,173,771	1,146,909
Equities - Canadian	2,057,927	2,446,976
- Foreign	2,489,944	2,622,333
Real estate	187,871	151,979
	5,963,525	6,442,217
Receivables		
Employee contributions	8,218	6,112
Employer contributions	7,022	5,440
Accrued investment income	13,774	12,485
Accounts receivable	531	635
	29,545	24,672
Cash	18,978	11,941
	6,012,048	6,478,830
LIABILITIES		
Accounts payable and accrued liabilities	5,199	4,803
Refunds payable	2,545	698
Due to Province of Newfoundland and Labrador	372	916
	8,116	6,417
NET ASSETS AVAILABLE FOR BENEFITS	$ 6,003,932	$ 6,472,413
ACCRUED BENEFITS OBLIGATION AND DEFICIT		
Accrued benefits obligation	$ 10,605,818	$ 9,960,099
Deficit	(4,601,886)	(3,487,686)
ACCRUED BENEFITS OBLIGATION AND DEFICIT	$ 6,003,932	$ 6,472,413

See accompanying notes

Signed on behalf of the Fund: Marshall Laurie Skinner

Minister of Finance
and President of Treasury Board
Trustee

Chairperson
Pension Investment Committee

PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
For the Year Ended 31 December 2011 2010

	Public Service Pension Plan (000's)	Teachers' Pension Plan (000's)	Uniformed Services Pension Plan (000's)	Members of the House of Assembly Pension Plan (000's)	Provincial Court Judges' Pension Plan (000's)	Total (000's)	Total (000's)
Increase (decrease) in net assets from:							
Investments (Note 3)							
Investment income	$ 105,028	$ 69,828	$ 4,465	$ 391	$ 116	$ 179,828	$ 167,686
Gain on sale of investments	88,688	60,831	3,910	303	90	153,822	216,117
Current period change in market value of investments	(349,249)	(227,887)	(14,540)	(1,365)	(415)	(593,456)	301,801
	(155,533)	(97,228)	(6,165)	(671)	(209)	(259,806)	685,604
Contributions							
Employee	138,503	46,264	4,329	803	268	190,167	174,462
Employer (Note 9)	116,513	43,053	4,240	397	172	164,375	154,643
	99,483	(7,911)	2,404	529	231	94,736	1,014,709
Other changes in net assets							
Pensions	(256,965)	(242,507)	(19,549)	(531)	(38)	(519,590)	(494,165)
Refund of contributions with interest	(22,431)	(3,486)	(380)	(46)	-	(26,343)	(21,259)
Administrative costs (Note 6)	(10,225)	(6,559)	(431)	(48)	(21)	(17,284)	(16,890)
	(289,621)	(252,552)	(20,360)	(625)	(59)	(563,217)	(532,314)
Total increase (decrease) in net assets	(190,138)	(260,463)	(17,956)	(96)	172	(468,481)	482,395
Net assets available for benefits, beginning of year	3,726,623	2,565,668	163,432	12,972	3,718	6,472,413	5,990,018
Net assets available for benefits, end of period	$ 3,536,485	$ 2,305,205	$ 145,476	$ 12,876	$ 3,890	$ 6,003,932	$ 6,472,413

See accompanying notes

PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND
STATEMENT OF CHANGES IN PENSION OBLIGATIONS
For the Year Ended 31 December 2011 2010

	Public Service Pension Plan (000's)	Teachers' Pension Plan (000's)	Uniformed Services Pension Plan (000's)	Members of the House of Assembly Pension Plan (000's)	Provincial Court Judges' Pension Plan (000's)	Total (000's)	Total (000's)
	2011						2010
Accrued benefits obligation at beginning of period	$ 5,770,723	$ 3,827,676	$ 343,543	$ 14,340	$ 3,817	$ 9,960,099	$ 9,390,140
Increase (decrease) in accrued benefits obligation							
Interest on accrued benefits	427,219	271,271	24,478	1,135	272	724,375	693,476
Benefits accrued	241,858	73,974	8,087	1,200	435	325,554	290,420
Impact of changes in actuarial assumptions	(37,472)	-	-	997	10	(36,465)	91,349
Impact of experience gains and losses	178,188	-	-	-	-	178,188	10,018
Benefits paid	(279,396)	(245,993)	(19,929)	(577)	(38)	(545,933)	(515,304)
Total increase in accrued benefits obligation	530,397	99,252	12,636	2,755	679	645,719	569,959
Accrued benefits obligation at end of period	$ 6,301,120	$ 3,926,928	$ 356,179	$ 17,095	$ 4,496	$ 10,605,818	$ 9,960,099

See accompanying notes

Authority and description

The Province of Newfoundland and Labrador Pooled Pension Fund (the Fund) was created 1 July 1980 under the authority of the *Pensions Funding Act* for the purpose of providing for the funding of pension plans sponsored by the Province. The affairs of the Fund are managed by the Minister of Finance, as Trustee of the Fund. Section 9 of the *Act* states that where there are insufficient assets to meet the obligations of the Fund, or the equity apportioned to a plan is insufficient to meet the obligations of the plan, the Minister shall pay out of the Consolidated Revenue Fund sufficient monies as may be necessary to cover the deficiency.

The following pension plans participate in the Fund: Public Service Pension Plan, Teachers' Pension Plan, Uniformed Services Pension Plan, Members of the House of Assembly Pension Plan and the Provincial Court Judges' Pension Plan.

(a) Public Service Pension Plan

(i) General

The Plan is a contributory defined benefit pension plan covering full-time employees of the Government of the Province of Newfoundland and Labrador, the Legislature and various Crown corporations, agencies and commissions created by or under a statute of the Province.

The Plan is comprised of two components, a Registered Plan, which provides registered pension benefits allowable under the *Income Tax Act* (Canada), and a Supplementary Plan, which provides benefits in excess of the *Income Tax Act* (Canada) maximum benefit limits. These financial statements include only amounts that pertain to the Registered Plan. Amounts that pertain to the Supplementary Plan are included within the accounts of the Consolidated Revenue Fund.

(ii) Employee contributions

Employee contributions are equal to 8.6% of the Canada Pension Plan (CPP) basic exemption, plus 6.8% of the employee's salary between the CPP basic exemption and the Year's Maximum Pensionable Earnings (YMPE) under the CPP, plus 8.6% of the employee's salary in excess of the YMPE, up to a maximum allowed under the *Income Tax Act* (Canada). Amounts in excess of the maximum allowed are paid to the Supplementary Plan.

Authority and description (cont.)

(a) Public Service Pension Plan (cont.)

(iii) Accrued service pensions

A service pension is available from the Registered Plan based on the number of years of pensionable service times 2% of the member's best five years average salary. When a retired member reaches age 65, this pension is reduced by 0.6% of the member's best five years average salary up to average YMPE times years of pensionable service after 1 April 1967. The calculated amount shall not exceed the maximum allowable benefit as determined under the *Income Tax Act* (Canada).

Where the calculated amount does exceed the maximum allowable benefit as determined under the *Income Tax Act* (Canada), a vested member who is no longer an employee can receive a pension from the Supplementary Plan. The total pension received from both the Registered Plan and the Supplementary Plan equals the amount calculated based on the number of years of pensionable service times 2% of the member's best five years average salary.

Employees who have reached age 50 and have at least 30 years of service are permitted to retire with a 0.5% reduction in pension benefit for each month under age 55.

Employees who have reached age 55 and have 30 years of service may retire with an unreduced pension. Employees age 55 or greater with less than 30 years service and with age and service equal to 85 may retire with a pension reduced by 0.5% for each month under age 60.

(iv) Disability pensions

A disability pension equal to the accrued service pension is available on permanent incapacity at any age with a minimum of five years pensionable service.

(v) Survivor pensions

A survivor pension of 60% of the member's accrued service pension is paid to the surviving principal beneficiary (and on the surviving principal beneficiary's death, to dependent children) following the death of a pensioner, a deferred pensioner or an employee with at least five years pensionable service.

Authority and description (cont.)

(a) Public Service Pension Plan (cont.)

(vi) Pre-retirement death benefits

Where an employee with at least five years pensionable service dies before receiving a pension and a survivor benefit is payable, the surviving principal beneficiary may elect to receive either the survivor benefit, or the greater of the commuted value of the survivor benefit and the commuted value of the employee's pension entitlement.

Where an employee with at least five years pensionable service dies before receiving a pension and there is no surviving principal beneficiary the commuted value of the employee's pension entitlement is paid to the employee's estate.

(vii) Termination benefits

On termination of employment, an employee may elect to receive a refund of the employee's own contributions with interest or, if the employee has at least five years pensionable service, may elect to receive a deferred pension or commuted value.

(viii) Indexing

Effective 1 October 2002 and each 1 October thereafter the amount of a pension or survivor benefit paid to an individual who has reached the age of 65 will be adjusted by 60% of the Consumer Price Index for Canada for the previous calendar year as published by Statistics Canada, to a maximum of 1.2% of the annual pension or survivor benefit.

(b) Teachers' Pension Plan

(i) General

The Plan is a contributory defined benefit pension plan covering teachers employed by school boards or the Province of Newfoundland and Labrador and full-time employees of the Newfoundland and Labrador Teachers' Association.

The Plan is comprised of two components, a Registered Plan, which provides registered pension benefits allowable under the *Income Tax Act* (Canada), and a Supplementary Plan, which provides benefits in excess of the *Income Tax Act* (Canada) maximum benefit limits. These financial statements include only amounts that pertain to the Registered Plan. Amounts that pertain to the Supplementary Plan are included within the accounts of the Consolidated Revenue Fund.

Authority and description (cont.)

(b) Teachers' Pension Plan (cont.)

(ii) Employee contributions

Employee contributions are equal to 9.35% of salary, up to the maximum allowed under the *Income Tax Act* (Canada). Amounts in excess of the maximum allowed are paid to the Supplementary Plan.

(iii) Accrued service pensions

A service pension is available from the Registered Plan based on 1/45th of the member's best five years average salary times years of pensionable service prior to 1 January 1991, plus 2% of the member's best five years average salary times years of pensionable service after 1 January 1991. When a member who retired after 31 August 1998 reaches age 65, this pension is reduced by 0.6% of the member's best five years average salary up to average YMPE times years of pensionable service after 1 April 1967. The calculated amount shall not exceed the maximum allowable benefit as determined under the *Income Tax Act* (Canada).

Where the calculated amount does exceed the maximum allowable benefit as determined under the *Income Tax Act* (Canada), a vested member who is no longer an employee can receive a pension from the Supplementary Plan. The total pension received from both the Registered Plan and the Supplementary Plan equals the amount calculated based on 1/45th of the member's best five years average salary times years of pensionable service prior to 1 January 1991, plus 2% of the member's best five years average salary times years of pensionable service after 1 January 1991.

(iv) Disability pensions

A disability pension equal to the accrued service pension is available on permanent incapacity at any age with a minimum of five years pensionable service.

(v) Survivor pensions

A survivor pension of 60% of the member's accrued service pension is paid to the surviving principal beneficiary (and on the surviving principal beneficiary's death, to dependent children) following the death of a pensioner, a deferred pensioner or an employee with at least five years pensionable service.

Authority and description (cont.)

(b) Teachers' Pension Plan (cont.)

(vi) Pre-retirement death benefits

Where an employee with at least five years pensionable service dies before receiving a pension and a survivor benefit is payable, the surviving principal beneficiary may elect to receive either the survivor benefit, or the greater of the commuted value of the survivor benefit and the commuted value of the employee's pension entitlement.

Where an employee with at least five years pensionable service dies before receiving a pension and there is no surviving principal beneficiary the commuted value of the employee's pension entitlement is paid to the employee's estate.

(vii) Termination benefits

On termination of employment, a teacher may elect to receive a refund of the teacher's own contributions with interest or, if the teacher has at least five years pensionable service, may elect to receive a deferred pension or commuted value.

(viii) Indexing

Effective 1 September 2002 and each 1 September thereafter the amount of a pension or survivor benefit paid to an individual who has reached the age of 65 will be adjusted by 60% of the Consumer Price Index for Canada for the previous calendar year as published by Statistics Canada, to a maximum of 1.2% of the annual pension or survivor benefit. This provision only applies to a pension or survivor benefit where the teacher to whom that pension or benefit relates retires after 31 August 1998.

(c) Uniformed Services Pension Plan

(i) General

The Plan is a contributory defined benefit pension plan covering members of the Royal Newfoundland Constabulary, warders at various Provincial correctional institutions, and some members of the St. John's Regional Fire Department.

(ii) Employee contributions

Employee contributions are equal to 9.95% of the CPP basic exemption, plus 8.15% of the employee's salary between the CPP basic exemption and the YMPE under the CPP, plus 9.95% of the employee's salary in excess of the YMPE.

Authority and description (cont.)

(c) Uniformed Services Pension Plan (cont.)

(iii) Accrued service pensions

A service pension is available based on the number of years of pensionable service times 2% of the member's best three years average salary. When a retired member reaches age 65, this pension is reduced by 0.6% of the member's best three years average salary up to average YMPE times years of pensionable service after 1 April 1967.

(iv) Disability pensions

A disability pension equal to the accrued service pension is available on permanent incapacity at any age with a minimum of five years pensionable service.

(v) Survivor pensions

A survivor pension of 60% of the member's accrued service pension is paid to the surviving principal beneficiary (and on the surviving principal beneficiary's death, to dependent children) following the death of a pensioner, a deferred pensioner or an employee with at least five years pensionable service. For grandfathered members, the survivor pension is 55% of the member's accrued service pension.

(vi) Pre-retirement death benefits

Where an employee with at least five years pensionable service dies before receiving a pension and a survivor benefit is payable, the surviving principal beneficiary may elect to receive either the survivor benefit, or the greater of the commuted value of the survivor benefit and the commuted value of the employee's pension entitlement.

Where an employee with at least five years pensionable service dies before receiving a pension and there is no surviving principal beneficiary the commuted value of the employee's pension entitlement is paid to the employee's estate.

(vii) Termination benefits

On termination of employment, an employee may elect to receive a refund of the employee's own contributions with interest or, if the employee has at least five years pensionable service, may elect to receive a deferred pension or the commuted value.

Authority and description (cont.)

(d) Members of the House of Assembly Pension Plan

(i) General

The Plan is a contributory defined benefit pension plan for Members of the House of Assembly (MHAs). Members may elect not to participate in the Plan for their first term.

The Plan is comprised of two components, a Registered Plan, which provides registered pension benefits allowable under the *Income Tax Act* (Canada), and a Supplementary Plan, which provides benefits in excess of the *Income Tax Act* (Canada) maximum benefit limits. These financial statements include only amounts that pertain to the Registered Plan. Amounts that pertain to the Supplementary Plan are included within the accounts of the Consolidated Revenue Fund.

(ii) Member contributions

Members are required to pay 9% of their pensionable salary to the Registered Plan, up to the maximum allowed under the *Income Tax Act* (Canada). Amounts in excess of the maximum allowed are paid to the Supplementary Plan. Member contributions cease after seventeen years of service if elected before or during the 43rd General Assembly and after twenty years of service if elected since that time.

On 22 December 2009, the Province amended the *Members of the House of Assembly Retiring Allowances Act*. This amendment provided that for Members elected prior to 1 January 2010, their pensionable salary effective 1 July 2007 would be equal to 81.2% of the salary authorized to be paid to an MHA under section 11(1) of the *House of Assembly Accountability, Integrity and Administration Act*. The pensionable salary for Members elected after 31 December 2009 would be the salary authorized under subsection 11(1) of the *House of Assembly Accountability, Integrity and Administration Act*.

(iii) Calculation of allowances on retirement

A vested Member who is no longer an MHA or a minister may, on application and subject to eligibility criteria, receive an allowance as follows:

For Members elected for the first time before or during the 43rd General Assembly, the percentage is calculated at 5% for each of the first ten years, 4% for each of the next five years, 2.5% for each of the next two years and 2% for each year of other service. Ministers receive an additional allowance calculated similarly and based on service and salary as a Minister (excluding Member's salary).

For Members elected for the first time after the 43rd General Assembly and prior to 1 January 2010, the percentage is 5% for each of the first ten years, 2.5% for each of the next ten years, and 2% for each year of other service.

Authority and description (cont.)

(d) Members of the House of Assembly Pension Plan (cont.)

(iii) Calculation of allowances on retirement (cont.)

On 22 December 2009, the Province amended the *Members of the House of Assembly Retiring Allowances Act*. These amendments provided for a new benefit accrual rate and new eligibility criteria for Members first elected to the House of Assembly after 31 December 2009. The annual accrual benefit rate for the new Member would be 3.5% to a maximum of 20 years service. The new Member would have to reach age 55 before being eligible for an unreduced pension. A new Member who retires between the ages of 50 and 54 would be eligible for a pension that would be reduced by 6% for each year that the Member is under the age of 55.

These allowances are paid as follows:

Under the Registered Plan the allowance is the product of 2% of MHA's and minister's salary for the best three calendar years. When a Member reaches age 65, the amount of the registered allowance is reduced by 0.6% of the Member's average YMPE times years of service between 1 January 1998 and 31 December 2004. The amount of the registered allowance shall not exceed the maximum allowable benefit as determined under the *Income Tax Act* (Canada).

Where the calculated allowance does exceed the maximum allowable benefit as determined under the *Income Tax Act* (Canada), a vested Member who is no longer an MHA or a minister can receive an allowance from the Supplementary Plan. The Member's supplementary allowance is reduced by the amount of his or her registered allowance. The annual allowance is based on a percentage of the average of the Member's pensionable salary for the best three calendar years. When a Member reaches age 65, the amount of the supplementary allowance is reduced by 0.6% of the Member's average YMPE times years of service after 1 April 1967 (service between 1 January 1998 and 31 December 2004 excluded).

(iv) Disability allowance

A disability allowance equal to the amount of the registered allowance the Member would have been eligible to receive at 65 years of age is available if a Member becomes permanently disabled. Additional supplementary benefits are also available on disability.

(v) Survivor benefits

A survivor benefit equal to 60% of the Member's registered allowance that he or she would have received had he or she reached age 65 on the date of death is paid to the surviving principal beneficiary.

Authority and description (cont.)

(d) Members of the House of Assembly Pension Plan (cont.)

(vi) Pre-retirement death benefits

If a Member dies before receiving an allowance and a survivor benefit is payable, the surviving principal beneficiary may elect to receive the survivor benefit, or the greater of the commuted value of the survivor benefit and the commuted value of the Member's entitlement. Where a survivor pension is not payable, the commuted value of the pension entitlement is paid to the deceased plan Member's estate.

(vii) Termination benefits

A Member who is no longer an MHA or a minister and who has been elected to only one general assembly or who has less than five years of service may elect to receive a refund of his or her contributions with interest.

A vested Member who is no longer an MHA or a minister may, subject to eligibility criteria, elect to transfer the commuted value of his or her entitlement under the Registered Plan to another approved retirement arrangement, or receive a deferred registered allowance. Also, the Member may receive a lump sum payment of his or her entitlement under the Supplementary Plan, or receive a deferred supplementary allowance.

(e) Provincial Court Judges' Pension Plan

(i) General

The Plan is a contributory defined benefit pension plan covering all Provincial Court judges appointed on or after 1 April 2002, and to a judge who elected on or before 1 April 2002 to join the Plan.

The Plan is comprised of two components, a Registered Plan, which provides registered pension benefits allowable under the *Income Tax Act* (Canada), and a Supplementary Plan, which provides benefits in excess of the *Income Tax Act* (Canada) maximum benefit limits. These financial statements include only amounts that pertain to the Registered Plan. Amounts that pertain to the Supplementary Plan are included within the accounts of the Consolidated Revenue Fund.

(e) Provincial Court Judges' Pension Plan (cont.)

(ii) Judges' contributions

Judges are required to pay 9% of their pensionable salary to the Registered Plan, up to the maximum allowed under the *Income Tax Act* (Canada). Amounts in excess of the maximum allowed are paid to the Supplementary Plan. Judges' contributions cease when they have accrued and paid contributions for twenty years of pensionable service.

(iii) Calculation of allowances on retirement

The annual amount of the allowance paid to a vested judge on normal retirement is the product of 3.33% of his or her annual salary on ceasing to be a judge, multiplied by the number of years of service as a judge, to a maximum of 20 years.

The annual amount of the allowance paid from the Registered Plan to a vested judge on normal retirement is the product of 2% of his or her annual salary on ceasing to be a judge, multiplied by the number of years of service as a judge, to a maximum of 20 years. The amount shall not exceed the maximum allowable benefit as determined under the *Income Tax Act* (Canada). The remaining allowance is paid from the Supplementary Plan.

Normal retirement date is the first day of the month following the judge's 65th birthday.

(iv) Survivor benefits

A survivor benefit equal to 60% of the pensioner's or judge's registered allowance that he or she would have received had he or she reached age 65 on the date of death is paid to the surviving principal beneficiary.

(v) Pre-retirement death benefits

If a judge dies before receiving an allowance and a survivor benefit is payable, the surviving principal beneficiary may elect to receive the survivor benefit, or the greater of the commuted value of the survivor benefit and the commuted value of the judge's entitlement. Where a survivor pension is not payable, the commuted value of the entitlement is paid to the deceased judge's estate.

(vi) Termination benefits

A judge who has stopped serving as a judge and who has less than two years of judge's service may elect to receive a refund of his or her contributions with interest.

A judge who has at least two years of judge's service may, subject to eligibility criteria, elect to transfer the commuted value of his or her entitlement under the Registered Plan to another approved retirement arrangement, receive a lump sum payment of his or her entitlement under the Supplementary Plan, or receive a deferred allowance.

(e) Provincial Court Judges' Pension Plan (cont.)

(vii) Indexing

Effective 1 October 2002 and each 1 October thereafter, the amount of the allowance or survivor benefit paid to an individual who has reached the age of 65 shall be adjusted by 60% of the Consumer Price Index for Canada for the previous calendar year as published by Statistics Canada, to a maximum of 1.2% of the annual allowance or survivor benefit.

1. Summary of significant accounting policies

As of 1 January 2011, the Fund's management has implemented the requirements of the Canadian Institute of Chartered Accountants (CICA) Handbook Section 4600 - Pension Plans. This standard is the basis for Canadian accounting standards for pension plans. The recognition and measurement of the Fund's assets and liabilities are consistent with the requirement of CICA Section 4600.

CICA Section 4600 requires that in selecting or changing accounting policies that do not relate to its investment portfolio or pension obligations, a pension plan shall comply on a consistent basis with either International Financial Reporting Standards in Part I of the CICA Handbook, or Accounting Standards for Private Enterprises in Part II of the CICA Handbook, to the extent that those standards do not conflict with the requirements of Section 4600. The Fund has chosen to comply on a consistent basis with the Accounting Standards for Private Enterprises in Part II of the CICA Handbook, hereafter referred to as "ASPEs".

The adoption of CICA Section 4600 had no material impact on the Fund's financial position, the accrued pension obligations and deficits or total investment income. Consistent with CICA Section 4600, investment assets are presented on a non consolidated basis even when the investment is in an entity over which the Fund has effective control, i.e. Newvest Realty Corporation (Newvest). Earnings of Newvest are recognized as dividends are received. The Fund's total investment includes valuation adjustments required to bring the investment to its fair value.

1. Summary of significant accounting policies (cont.)

In preparing its first financial statements in accordance with CICA Handbook Section 4600 - Pension Plans and ASPEs, the Fund has adjusted amounts that were previously recorded in accordance with previous CICA standards. An explanation of how the transition has affected the Fund's financial position is set out in the following table.

	As at 31 December 2010		
	Reporting under previous CICA standards	Effect of Transition to CICA Section 4600 and ASPEs	Reporting under CICA Section 4600 and ASPEs
	(000's)	(000's)	(000's)
Net assets available for benefits			
Assets			
Investments	$ 6,523,380	$ (81,163)	$ 6,442,217
Receivables			
Employee Contributions	6,112	-	6,112
Employer Contributions	5,440	-	5,440
Accrued Investment Income	12,485	-	12,485
Accounts Receivable	1,011	(376)	635
	25,048	(376)	24,672
Cash	18,109	(6,168)	11,941
Prepaid Expenses	189	(189)	-
Deferred Charges	3,441	(3,441)	-
	21,739	(9,798)	11,941
Total assets available for benefits	6,570,167	(91,337)	6,478,830
Liabilities			
Accounts payable and accrued liabilities	7,953	(3,150)	4,803
Refunds payable	698	-	698
Due to Province of Newfoundland and Labrador	916	-	916
Mortgages payable	84,383	(84,383)	-
Total liabilities	93,950	(87,533)	6,417
Net assets available for benefits	$ 6,476,217	$ (3,804)	$ 6,472,413

1. Summary of significant accounting policies (cont.)

Outlined below are the significant accounting policies followed.

(a) Investments

The fund's investments consist of the following major assets classes: public equities and interest bearing investments such as treasury bills, bonds, mortgages and real estate.

Investments are classified as held-for-trading. All investments transactions are recorded at the point upon which the risks and rewards of ownership are transferred. Purchases and sales of publicly traded investments are recorded as of the trade date and are stated at fair value as at year-end. Fair value is an estimate of the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

Short-term notes and deposits are valued at book value which approximates market value.

Bonds and debentures are valued at the mean or the average price at the valuation date.

Publicly traded equities are valued at the last board lot trade for a given stock. In instances where the quoted stock has not been traded on the valuation date, the price of the last board bid price is quoted.

Pooled funds are valued at the unit values supplied by the pooled fund administrator, which represent the Fund's proportionate share of underlying net assets at fair values determined using closing market prices.

Real estate investments are held through the Fund's sole ownership interest in Newvest Realty Corporation. Income producing properties are recorded at their appraised values in accordance with the Corporation's appraisal policy which requires that properties be appraised at least once every two years by professionally qualified independent appraisers. The external appraisals are completed in six month cycles on approximately one half of the Corporation's portfolio. The properties that are not externally appraised during each six month cycle are appraised by Bentall Kennedy. Any properties acquired by the Corporation in the current year have not been appraised and are therefore recorded at cost.

(b) Investment income

Investment income is allocated proportionately to the pension plans under the Fund based on the asset value held in the pension plan account.

Investment income (loss) is reflected in investment activities and includes the following:

(i) Dividend income which is recognized as of the date of record for North American equities, and as of the date of receipt for non-North American equities

1. Summary of significant accounting policies (cont.)

(b) Investment income (cont.)

(ii) Bank interest and interest on bonds and debentures, short-term notes and deposits.

(iii) Real estate income which includes dividends received and unrealized gains and losses.

(iv) Foreign exchange gains and losses.

(v) Gains and losses that have been realized on disposal of investments.

(vi) Unrealized gains and losses which reflect the change in fair value of investments held at the end of the year.

(c) Accrued pension benefits and accrued pension obligations

The value of accrued pension benefits is based on a projected accrued benefits method actuarial valuation prepared triennially by an independent firm of actuaries. This accrued pension obligation is measured in accordance with accepted actuarial methods, using actuarial assumption and methods adopted by the Province for the purpose of establishing the long-term funding requirements. The actuarial valuation included in the financial statements is consistent with the valuation for funding purposes. In between valuations, the value of accrued benefits is extrapolated annually from these valuations.

(d) Surplus/deficit

For financial statement reporting, the surplus/deficit of the Plans are based on the difference between the fair value of the Plans' net assets available for benefits and the Plans' accrued pension obligation. For funding purposes, the Plans' surplus/deficit is based on the difference between the Plans' actuarial value of net assets and the Plans' accrued pension obligation.

(e) Contributions

Contributions from employers and members due to the Plans at the end of the year are recorded on an accrual basis. Service purchases that include, but are not limited to leaves of absence, periods of reduced accrual and transfer from other pension plans are recorded and service is credited when the signed contract to purchase is received.

(f) Benefits

Benefit payments to retired members are recorded as they are paid, twice monthly. Commuted value payments and transfers to other pension plans are recorded when paid. Accrued benefits from members are recorded as part of the accrued pension obligation.

1. Summary of significant accounting policies (cont.)

(g) Administrative Expenses

Administrative expenses are incurred for direct pension administration and external investment management and are recorded on an accrual basis. Direct pension administration expenses represent expenses to provide direct services to plan members and employers and include actuarial consulting, disability pension adjudication and audit fees. External investment management expenses represent payments to the investment managers. These are allocated between the Plans on a pro rata basis, based on the balance of the assets in the individual plans as a percentage of the total value of the combined plans.

2. Investments

(a) Investment portfolio

The fair value of investments relative to the cost is summarized in the following table:

	As at 31 December 2011 Assets			As at 31 December 2010 Assets		
	FMV	**% FMV**	**Cost**	FMV	% FMV	Cost
	(000's)		(000's)	(000's)		(000's)
Money Market	**$ 54,012**	**0.9**	**$ 54,037**	$ 74,020	1.1	$ 74,089
Fixed Income						
Canadian	**1,173,771**	**19.7**	**1,108,926**	1,146,909	17.8	1,112,579
Equities						
Canadian	**2,057,927**	**34.5**	**2,004,386**	2,446,976	38.0	2,000,116
US	**1,347,183**	**22.6**	**1,293,932**	1,331,097	20.7	1,211,782
EAFE	**1,142,761**	**19.2**	**1,541,075**	1,291,236	20.0	1,505,226
Real estate	**187,871**	**3.1**	**132,850**	151,979	2.4	116,650
Total	**$ 5,963,525**	**100**	**$ 6,135,206**	$ 6,442,217	100	$ 6,020,442

2. Investments (cont.)

(b) Fair value measurement

Financial instruments are classified according to the following fair value hierarchy that reflects the significance of inputs used in determining the fair values.

- Level 1: Fair value is based on inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities. Level 1 primarily includes publicly listed investments.
- Level 2: Fair value is based on valuation methods that make use of inputs other than quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly, including inputs in markets that are not considered to be active. Level 2 primarily includes fixed income securities not actively traded on a public exchange, public equities not traded in an active market and investments in pooled funds.
- Level 3: Fair value is based on valuation methods where inputs that are based on non-observable market data have a significant impact on the valuation. Level 3 primarily includes private market investments such as real estate, valued based on discounted future cash flow models which reflect assumptions that a market participant would use when valuing such an asset or liability.

Investments based on the valuation level within the fair value hierarchy are as follows:

As at 31 December 2011	**Level 1** (000's)	**Level 2** (000's)	**Level 3** (000's)	**Total** (000's)
Money Market	$ -	$ 54,012	$ -	**$ 54,012**
Fixed Income				
Canadian	-	1,173,771	-	**1,173,771**
Equities				
Canadian	2,010,937	46,990	-	**2,057,927**
US	1,347,183	-	-	**1,347,183**
EAFE	-	1,142,761	-	**1,142,761**
Real estate	-	-	187,871	**187,871**
Total	**$ 3,358,120**	**$ 2,417,534**	**$ 187,871**	**$ 5,963,525**

2. Investments (cont.)

(b) Fair value measurement (cont.)

As at 31 December 2010	Level 1 (000's)	Level 2 (000's)	Level 3 (000's)	Total (000's)
Money Market	$ -	$ 74,020	$ -	**$ 74,020**
Fixed Income				
Canadian	-	1,146,909	-	**1,146,909**
Equities				
Canadian	2,380,350	66,626	-	**2,446,976**
US	1,331,097	-	-	**1,331,097**
EAFE	-	1,291,236	-	**1,291,236**
Real estate	-	-	151,979	**151,979**
Total	**$ 3,711,447**	**$ 2,578,791**	**$ 151,979**	**$ 6,442,217**

The following table shows the changes in the fair value measurement in Level 3 of the fair value hierarchy:

	(000's)
Fair value, 31 December 2010	**$ 151,979**
Acquisitions	22,859
Dispositions	(6,701)
Realized gain/loss	42
Net change in unrealized gain/loss	19,692
Fair value, 31 December 2011	**$ 187,871**

(c) Securities lending

The Fund participates in a securities lending program whereby it lends securities in order to enhance portfolio returns. The securities lending program requires collateral in cash, high-quality debt instruments or securities. Collateral transactions are conducted under terms that are usual and customary in standard securities lending programs. In the absence of an event of default, the same securities or equivalent securities must be returned to the counterparty at the end of the contract.

2. Investments (cont.)

(c) Securities lending (cont.)

The fair values of the allocated securities and collateral associated with the securities lending program as at 31 December are as follows:

	2011	2010
	(000's)	(000's)
As at 31 December		
Securities lent	**$ 1,177,627**	$ 793,041
Securities contractually receivable	**1,241,849**	821,915

3. Investment income (loss)

(a) Investment income (loss) for the year ended 31 December is as follows.

As at 31 December	2011	2010
	(000's)	(000's)
Interest income	**$ 51,653**	$ 51,768
Dividend income	**126,456**	114,708
Security lending income	**1,048**	871
Commission recapture income	**671**	339
	179,828	167,686
Net realized gain (losses)	**153,822**	216,117
Net unrealized gain (losses)	**(593,456)**	301,801
Investment income (loss)	**$ (259,806)**	$ 685,604

3. Investment income (loss) (cont.)

(b) Investment income (loss) by asset mix, for the year ended 31 December is as follows:

	Investment income	**Gain on sale of investments**	**Current period change in market value of investments**	**2011 Total**	**2010 Total**
	(000's)	(000's)	(000's)	(000's)	(000's)
Canadian equities	$ 53,786	$ 80,553	$ (393,320)	**$ (258,981)**	$ 351,787
U.S. equities	-	-	(66,064)	**(66,064)**	72,839
Foreign equities	63,270	58,787	(184,323)	**(62,266)**	160,142
Bonds and debentures	50,949	14,482	30,514	**95,945**	78,814
Short term notes & deposits	2,423	-	45	**2,468**	1,567
Real estate	9,400	-	19,692	**29,092**	20,455
Total	**$ 179,828**	**$ 153,822**	**$ (593,456)**	**$ (259,806)**	**$ 685,604**

(c) Investment returns

The Fund's investment returns gross of fees are shown by asset class in the table below.

As at 31 December	**2011**	2010
	(%)	(%)
Canadian equity	**(11.32)**	16.02
US equity	**1.59**	11.45
Non-north American equity	**(11.50)**	7.42
Fixed income	**8.69**	7.40
Real estate	**11.76**	10.18
Total portfolio return	**(4.19)**	11.60

The Fund's net return after all investment management costs for the year ended 31 December 2011 was (4.40)% (2010 - 11.35%).

4. Investment risk management

Risk management relates to the understanding and active management of risks associated with all areas of the business and the associated operating environment. The use of financial instruments exposes the Fund to credit and liquidity risks, interest rate volatility, and market risks including foreign exchange and market price fluctuations and volatility. The Fund has policies and operating procedures that establish an asset mix among equity, fixed income and real estate investment, require diversification of investments within categories, and set limits on the size of exposure to individual investment and counterparties. Trustee oversight, procedures and compliance functions are incorporated into Fund processes to achieve consistent controls and mitigate operational risk.

4. Investment risk management (cont.)

(a) Interest rate risk

Interest rate risk refers to the fact that the Fund's financial position will change with market interest rate changes, as fixed income securities are sensitive to changes in nominal interest rates. Interest rate risk is inherent in the management of a pension plan due to prolonged timing differences between cash flows related to the Fund's assets and cash flows related to the Fund's liabilities.

The fair value of the Fund is affected by short term changes in nominal interest rates. Pension liabilities are exposed to the long term expectation of rate of return on the investments, as well as expectations of inflation and salary escalation.

The term to maturity classifications of interest bearing investments, based upon the contractual maturity of these securities, as at 31 December are as follows:

As at 31 December	**2011**	2010
	(%)	(%)
Within 1 year	**14.4**	13.0
Short (1 - 5 years)	**28.7**	27.3
Medium (5 - 10 years)	**23.7**	33.7
Long (10+ years)	**33.2**	26.0
Total	**100.0**	100.0

(b) Market price risk

Market price risk is the risk of fluctuation in market values of investments from influences specific to a particular investment or from influences on the market as a whole. All changes in market conditions will directly result in an increase (decrease) in net assets available for benefits. Market price risk is managed by the Fund through the construction of a diversified portfolio of instruments traded on various markets and across various industries.

4. Investment risk management (cont.)

(c) Credit risk

Credit risk is the risk that the issuer of a debt security or counterparty to a contract is unable to fulfill its financial obligation and causes the other party to incur a loss.

Fixed income portfolio

Credit risk in the fixed income portfolio is monitored by evaluating the Fund's exposure in two ways: by sector (government versus corporate) and by credit quality.

The Fund is exposed to credit risk from the following interest earning investments, classified by sector as at 31 December:

As at 31 December	**2011**	2010
	(%)	(%)
Federal government	**21.6**	25.6
Provincial government	**20.8**	20.6
Municipal government	**1.1**	1.0
Corporate	**52.7**	50.8
Other	**3.8**	2.0
Total	**100.0**	100.0

The Fund's concentration risk by credit rating as at 31 December is as follows:

As at 31 December	**2011**	2010
	(%)	(%)
AAA to A-	**74.3**	75.0
BBB to BBB-	**11.8**	9.5
BB+ and below	**0.6**	0.1
Not rated	**13.3**	15.4
Total	**100.0**	100.0

4. Investment risk management (cont.)

(c) Credit risk (cont.)

Real estate

Real estate investment managers manage risk through monthly monitoring of tenant performance and arrears. Tenant exposure is managed by limiting concentration to a specific economic sector and geographic area. Transactions that involve assuming a new tenant exposure are vetted by an appropriate due diligence and approval process.

Securities lending

The Fund lends securities for a fee to approved borrowers. High quality collateral is provided by borrowers to alleviate the credit risk. Regular reporting of the securities lending program ensure that its various components are continuously being monitored.

(d) Foreign currency risk

Foreign currency exposure arises through holdings of securities and units in pooled funds in non-Canadian assets. Fluctuations in the relative value of the Canadian dollar against these foreign currencies can result in a positive or a negative effect on the fair value of the investments. The Fund does not take an active approach such as currency hedging to managing this risk, but rather the currency risk is managed through the diversified nature of the overall portfolio. In addition, the investment managers of the Fund are given flexibility through their mandate to periodically hedge currency for opportunistic or defensive purposes.

The Fund's unhedged currency exposure from net investment assets as at 31 December is summarized in the following table:

As at 31 December	2011	2010
	(%)	(%)
Canadian dollar	**58.3**	59.4
US dollar	**23.0**	20.8
British pound	**4.4**	4.4
Japanese yen	**3.4**	3.8
Euro	**3.3**	3.8
Other European currencies	**3.2**	3.2
Other Asia / Pacific currencies	**3.6**	3.5
Other currencies *	**0.8**	1.1
Total	**100.0**	100.0

* Other currencies include Africa, Middle East and Latin America

4. Investment risk management (cont.)

(e) Liquidity risk

Liquidity risk corresponds to the Fund's ability to meet its financial obligations as they come due with sufficient and readily available cash resources. Cash obligations are fulfilled from contributions to the Fund, cash income of the Fund and planned dispositions of Fund assets as required. Cash requirements of the Fund are reviewed on an ongoing basis to provide for the orderly availability of resources to meet the financial obligations. In general, the Fund's investments in cash and cash equivalents, debt and public equities are expected to be highly liquid and are invested in securities that are actively traded.

5. Capital management

The Fund was established as a vehicle to invest employee and employer pension plan contributions in the capital markets with a long-term goal to achieve investment returns. The main objective of the Fund is to secure promised pension obligations as they come due, and the secondary objective is to minimize employer long-term contributions and manage the variability of employer contributions.

The Fund is sponsored by the Government of Newfoundland and Labrador, represented by the Minister of Finance who is Trustee of the Fund. The Trustee has appointed the Pension Investment Committee (PIC) to review, monitor, administer and supervise all investment activities of the Fund.

Portfolio Management

The Fund utilizes external investment management firms to invest the assets of the Fund. Each investment manager is selected through a disciplined process to ensure a good fit with the investment structure and objectives of the Fund. As at 31 December 2011, the external investment fund management group was comprised of the following firms:

Aurion Capital Management Inc.
Baillie Gifford Overseas Limited
Bentall Kennedy
Beutel, Goodman & Company Ltd.
Connor, Clark & Lunn Investment Management Ltd.
Genus Capital Management Inc.
Jacobs Levy Equity Management Inc.
Phillips, Hager & North Investment Management Ltd.
Sanford C. Bernstein and Company, LLC
Sprucegrove Investment Management Ltd.
Systematic Financial Management Limited Partnership
UBS Global Asset Management (Canada) Co.

5. Capital management

In addition, CIBC Mellon Global Securities Services provides all custodial and administrative services for the Fund, and Russell Investments provides investment counseling services to the Fund.

The long-term asset mix policy of the Fund is as follows:

Canadian equity	35%
US equities	20%
Non-North American equities	20%
Fixed income	20%
Real estate	5%

The asset mix policy was adopted after evaluating the potential impact of alternative policies on benefit security and employer contributions. Factors evaluated included the Plans' going-concern and solvency funded ratios, demographics, cash flow requirements, actuarial assumptions, benefit levels, and liquidity requirements. The expected real return of the Fund's investment policy is 5.0% annualized over the long term.

6. Administrative costs

Administrative costs are direct costs of the Department of Finance, Pensions Division, and are allocated to the various pension plans based on the previous month's equity balance related to the total Fund. Any direct costs related to a specific plan are charged accordingly. Administrative costs were comprised as follows:

As at 31 December	**2011**	2010
	(000's)	(000's)
Investment management fees	**$ 13,785**	$ 13,696
Custodian fees	**234**	228
Investment consulting fees	**199**	199
Actuarial consulting fees	**138**	58
	14,356	14,181
Salaries and benefits	**2,239**	2,095
Computer charges	**165**	230
Other expenses	**373**	203
Medical and professional fees	**117**	164
Audit fee	**25**	17
Other investment expenses	**9**	-
	$ 17,284	$ 16,890

7. Accrued benefits obligation

(a) Actuarial assumptions

The actuarial assumptions used in determining the value of accrued pension benefits of $10.6 billion reflect management's best estimate of future economic events and involve both economic and non-economic assumptions. The non economic assumptions include considerations such as mortality as well as withdrawal and retirement rates. The primary economic assumptions include the discount rate, salary escalation and the inflation rate. The discount rate is based on the target asset mix and expected real returns for each asset class. The inflation rate is derived from the Bank of Canada's long term investment range. The salary escalation rate incorporates the inflation rate assumption and long term expectation of growth in real wages. A summary of the primary economic assumptions as at 31 December is as follows:

	PSPP		TPP		USPP		MHAPP		PCJPP	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Discount Rate	7.25%	7.50%	7.25%	7.25%	7.25%	7.25%	7.25%	7.5%	6.75%	7.00%
Salary escalation rate	4.00%	4.5%	4.00%	4.00%	4.00%	4.00%	3.25%	3.75%	3.50%	4.00%
Inflation rate	2.50%	3.00%	2.50%	2.50%	2.50%	2.50%	2.50%	3.00%	2.50%	3.00%

8. Actuarial valuations

Triennial actuarial valuations are performed by the actuarial consulting firm of Morneau Shepell. Relevant reporting dates for the various plans are summarized below.

Pension Plan	**Effective date of valuation used to determine pension obligation**	**Date of next required valuation**
Public Service	31 December 2009	31 December 2012
Teachers'	31 August 2009	31 August 2012
Uniformed Services	31 December 2008	31 December 2011
Members of the House of Assembly	31 December 2009	31 December 2012
Provincial Court Judges'	31 December 2007	31 December 2010

9. Funding policy

In accordance with legislation, the Province's funding requirement is to match employee contributions for current service. Matching of contributions may also occur for certain other types of prior service, which may be purchased under contract.

Also, the Province is required to pay into the Fund amounts required to cover any actual plan deficiencies which may occur. A plan deficiency occurs when pension payments, refunds of contributions and administrative costs exceed a plan's fund balance.

10. Teachers' Indexing Fund

The total fund balance relating to the Teachers' Pension Plan is comprised of the regular fund balance and the fund balance of the Teachers' Indexing Fund. In accordance with the most recent Teachers' Collective Agreement, contributions required to fund the indexing benefit introduced as of 1 September 2002 shall be deposited to a separate account. As at 31 December 2011 the increase and decrease in the net assets of the Fund related to the Teachers' Indexing Fund and the closing balance, along with the closing balance of the Fund related to the Teachers' Regular Fund, are comprised as follows:

	2011 **(000's)**	2010 (000's)
Teachers' Indexing Fund:		
Increases in net assets		
Contributions	**$ 7,634**	$ 7,283
Investment income (loss)	**(2,799)**	6,650
	4,835	13,933
Decreases in net assets		
Pensions	**36**	25
Administrative costs	**188**	166
	224	191
Increase in net assets	**4,611**	13,742
Teachers' Indexing Fund balance, beginning of year	**67,947**	54,205
Teachers' Indexing Fund balance, end of year	**72,558**	67,947
Teachers' Regular Fund balance	**2,232,647**	2,497,721
Teachers' Pension Plan combined balance	**$ 2,305,205**	$ 2,565,668

11. Related party investments

The following related party investments were held by the Fund as at 31 December 2011.

Description	Face Value (000's)	Market Value (000's)
Province of Newfoundland and Labrador Debentures - Series maturing 17 October 2033	$ 6,859	$ 8,733
Newfoundland and Labrador Hydro Debentures - Maturing 14 July 2017	1,377	1,303
	$ 8,236	$ 10,036

Also, as indicated in Note 1, the Fund manages its real estate through Newvest Realty Corporation, a wholly-owned subsidiary incorporated under the provisions of the *Canada Business Corporations Act* to invest money received from the Fund in Canadian real estate property. It is also registered under the *Corporations Act* of the Province of Newfoundland and Labrador. The value of the investment at 31 December 2011 was $187,871,242.

12. Pensioner and refund payroll

All Plans, with the exception of the Provincial Court Judges' Pension Plan, provide for disability pensions payable in the event the plan member is certified to be totally and permanently disabled. As well, should an employee die in service, there is provision for the payment of the employee's entitlement to the estate. The following tables summarize disability pension payments and the payments to employees' estates upon pre retirement death.

Disability Pensions

Plan	Public Service	Teachers'	Uniformed Services	Members of the House of Assembly	Provincial Court Judges'
	(000's)	(000's)	(000's)	(000's)	(000's)
2011	$ 18,995	$ 9,454	$ 794	$ -	$ -
2010	$ 18,424	$ 9,528	$ 804	$ -	$ -

Payments on Pre-retirement death

Plan	Public Service	Teachers'	Uniformed Services	Members of the House of Assembly	Provincial Court Judges'
	(000's)	(000's)	(000's)	(000's)	(000's)
2011	$ 4,496	$ 183	$ -	$ -	$ -
2010	$ 3,476	$ 851	$ -	*	$ -

* Figure not shown to protect confidentiality

13. Income taxes

The Fund is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

14. Comparative figures

Certain figures in the 2010 financial statements have been restated to conform with the basis of presentation used in 2011.

PROVINCIAL ADVISORY COUNCIL ON THE STATUS OF WOMEN - NEWFOUNDLAND AND LABRADOR

FINANCIAL STATEMENTS

31 MARCH 2012

Management's Report

Management's Responsibility for the Provincial Advisory Council on the Status of Women – Newfoundland and Labrador Financial Statements

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that transactions are properly authorized, assets are safeguarded and liabilities are recognized.

Management is also responsible for ensuring that transactions comply with relevant policies and authorities and are properly recorded to produce timely and reliable financial information.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Board. The Board reviews internal financial information on a quarterly basis and external audited financial statements yearly.

The Auditor General conducts an independent audit of the annual financial statements of the Council, in accordance with Canadian generally accepted auditing standards, in order to express an opinion thereon. The Auditor General has full and free access to financial management of the Provincial Advisory Council on the Status of Women - Newfoundland and Labrador.

On behalf of the Provincial Advisory Council on the Status of Women - Newfoundland and Labrador

Linda Ross

Linda Ross
President

20 June 2012

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

To the Board of Directors
Provincial Advisory Council on the
Status of Women - Newfoundland and Labrador
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Provincial Advisory Council on the Status of Women - Newfoundland and Labrador which comprise the statement of financial position as at 31 March 2012, the statements of operations and accumulated surplus, change in net financial assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Auditor's Report (cont.)

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Provincial Advisory Council on the Status of Women - Newfoundland and Labrador as at 31 March 2012 and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

TERRY PADDON, CA
Auditor General

20 June 2012
St. John's, Newfoundland and Labrador

PROVINCIAL ADVISORY COUNCIL ON THE STATUS OF WOMEN - NEWFOUNDLAND AND LABRADOR

STATEMENT OF FINANCIAL POSITION

As at

	31 March 2012	31 March 2011	1 April 2010
		(Note 2)	(Note 2)
FINANCIAL ASSETS			
Cash	$ 126,328	$ 80,450	$ 72,066
Accounts receivable (Note 5)	6,792	4,370	5,060
	133,120	84,820	77,126
LIABILITIES			
Accounts payable and accrued liabilities (Note 6)	11,965	14,106	14,330
	11,965	14,106	14,330
Net financial assets	121,155	70,714	62,796
NON-FINANCIAL ASSETS			
Tangible capital assets, net (Note 7)	8,448	19,530	12,564
Prepaid expenses (Note 8)	8,900	7,624	6,815
	17,348	27,154	19,379
Accumulated surplus	$ 138,503	$ 97,868	$ 82,175

Contractual obligations (Note 9)

The accompanying notes are an integral part of these financial statements.

Signed on behalf of the Council: Linda Ross **President** Kelly Power **Member**

PROVINCIAL ADVISORY COUNCIL ON THE STATUS OF WOMEN - NEWFOUNDLAND AND LABRADOR

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

For the Year Ended 31 March

	2012 Budget	2012 Actual	2011 Actual
	(Note 12)		(Note 2)
REVENUES			
Province of Newfoundland and Labrador operating grant	$ 462,700	$ 462,700	$ 451,823
Interest	1,000	2,205	290
	463,700	464,905	452,113
EXPENSES (Note 11)			
Advisement of Government	46,000	34,653	35,113
Outreach & Education	18,000	11,948	17,743
Administration	391,000	377,669	383,564
	455,000	424,270	436,420
Annual surplus	8,700	40,635	15,693
Accumulated surplus, beginning of year	97,868	97,868	82,175
Accumulated surplus, end of year	$ 106,568	$ 138,503	$ 97,868

The accompanying notes are an integral part of these financial statements.

PROVINCIAL ADVISORY COUNCIL ON THE STATUS OF WOMEN - NEWFOUNDLAND AND LABRADOR

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

For the Year Ended 31 March

	2012 Budget	2012 Actual	2011 Actual
	(Note 12)		**(Note 2)**
Annual surplus	$ 8,700	$ 40,635	$ 15,693
Tangible capital assets			
Acquisition of tangible capital assets	(7,700)	-	(18,543)
Amortization of tangible capital assets	-	11,082	11,577
	(7,700)	11,082	(6,966)
Prepaid expenses			
Acquisition of prepaid expense	-	(8,900)	(7,624)
Use of prepaid expense	-	7,624	6,815
	-	(1,276)	(809)
Increase in net financial assets	1,000	50,441	7,918
Net financial assets, beginning of year	70,714	70,714	62,796
Net financial assets, end of year	$ 71,714	$ 121,155	$ 70,714

The accompanying notes are an integral part of these financial statements.

PROVINCIAL ADVISORY COUNCIL ON THE STATUS OF WOMEN - NEWFOUNDLAND AND LABRADOR

STATEMENT OF CASH FLOWS

For the Year Ended 31 March	2012	2011
		(Note 2)
Operating transactions		
Annual surplus	$ 40,635	$ 15,693
Adjustment for non-cash items		
Amortization of tangible capital assets	11,082	11,577
	51,717	27,270
Change in non-cash working capital		
Accounts receivable	(2,422)	690
Accounts payable and accrued liabilities	(2,141)	(224)
Prepaid expenses	(1,276)	(809)
Cash provided from operating transactions	45,878	26,927
Capital transactions		
Cash used to acquire tangible capital assets	-	(18,543)
Cash applied to capital transactions	-	(18,543)
Increase in cash	45,878	8,384
Cash, beginning of year	80,450	72,066
Cash, end of year	$ 126,328	$ 80,450

The accompanying notes are an integral part of these financial statements.

1. Nature of operations

The Provincial Advisory Council on the Status of Women - Newfoundland and Labrador (the Council) is a Crown corporation of the Province of Newfoundland and Labrador, established under the *Status of Women Advisory Council Act*. The purpose of the Council is to advise the Minister responsible for the Status of Women, the Government and the public on matters of interest and concern to women. Its affairs are managed by a Board of Directors appointed by the Lieutenant-Governor in Council. The Council is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

2. Conversion to Canadian Public Sector Accounting Standards

Commencing with the 2012 fiscal year, the Council has adopted Canadian public sector accounting standards. These financial statements are the first financial statements for which the Council has applied Canadian public sector accounting standards. The changeover became effective on 1 April 2011 with retroactive application to 1 April 2010.

The conversion affects primarily only the presentation of the financial statements. There has been no change to the accumulated surplus at the date of transition due to the conversion to Canadian public sector accounting standards.

3. Changes in accounting standards: early adoption of released CICA Handbook sections

The Council elected to early adopt the following CICA Public Sector Accounting Handbook sections at the transition date.

(a) Section PS 3410 Revised, Government Transfers

Section PS 3410, *Government Transfers*, was amended by the Canadian Public Sector Accounting Board (PSAB) in December 2010. The main changes pertain to recognition criteria for government transfers, affecting how the Council accounts for such transfers. These amendments are effective for fiscal years beginning on or after 1 April 2012 but earlier adoption is encouraged. The Council decided to early adopt the section for the year ending 31 March 2012. This accounting change had no significant impact on the Council's financial statements.

(b) Sections: PS 3450 Financial Instruments; PS 2601 Foreign Currency Translation; and PS 1201 Financial Statement Presentation

In March 2011, the PSAB approved new Section PS 3450, *Financial Instruments*, Section PS 2601 to replace current Section PS 2600, *Foreign Currency Translation* and Section PS 1201 to replace current Section PS 1200, *Financial Statement Presentation*. The three sections are effective for fiscal years beginning on or after 1 April 2012 for government organizations but earlier adoption is permitted. Government organizations are required to adopt the three sections in the same year. The Council decided to early adopt these sections for the year ending 31 March 2012. This accounting change had no significant impact on the Council's financial statements.

4. Summary of significant accounting policies

(a) Basis of accounting

These financial statements are prepared by management in accordance with Canadian public sector accounting standards for provincial reporting entities established by the PSAB. The Council does not prepare a statement of re-measurement gains and losses as the Council does not enter into relevant transactions or circumstances that are being addressed by the statement.

(b) Employee future benefits

The employees of the Council are subject to the *Public Service Pensions Act, 1991.* Employee contributions are matched by the Council and remitted to the Province of Newfoundland and Labrador Pooled Pension Fund from which pensions will be paid to employees when they retire. This plan is a defined benefit plan, providing a pension on retirement based on the member's age at retirement, length of service and highest earnings averaged over five years.

The contribution of the Council to the plan is recorded as an expense for the year.

(c) Tangible capital assets

Tangible capital assets are recorded at cost, including amounts that are directly related to the acquisition of the assets.

The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over their estimated useful lives as follows:

Furniture and equipment	5 years
Computer hardware and software	3 years
Leasehold improvements	5 years

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Council's ability to provide services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the statement of operations and accumulated surplus.

4. Summary of significant accounting policies (cont.)

(d) Prepaid expenses

Prepaid expenses are charged to the expense over the periods expected to benefit from it.

(e) Revenues

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

The Council recognizes the receipt of government transfers as revenue in the period the transfer is authorized and all eligibility criteria have been met, except when and to the extent that the transfer gives rise to an obligation that meets the definition of a liability for the Council.

(f) Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is expensed.

5. Accounts receivable

	31 March 2012	31 March 2011	1 April 2010
Harmonized sales tax receivable	**$ 6,792**	$ 4,370	$ 4,672
Trade accounts receivable	**-**	-	388
	$ 6,792	$ 4,370	$ 5,060

There is no allowance for doubtful accounts since all amounts are considered collectible.

6. Accounts payable and accrued liabilities

	31 March 2012	31 March 2011	1 April 2010
Trade accounts payables and accruals	**$ 3,377**	$ 6,841	$ 14,330
Accrued employee benefits	**8,588**	7,265	-
	$ 11,965	$ 14,106	$ 14,330

7. Tangible capital assets

	Furniture and equipment	Computer equipment and software	Leasehold improvements	Total
Cost				
Balance, 1 April 2010	$ 28,749	$ 23,767	$ 2,574	$ 55,090
Additions	6,513	12,030	-	18,543
Balance, 31 March 2011	35,262	35,797	2,574	73,633
Disposals	-	(8,334)	-	(8,334)
Balance, 31 March 2012	35,262	27,463	2,574	65,299
Accumulated amortization				
Balance, 1 April 2010	17,215	23,767	1,544	42,526
Amortization expense	7,052	4,010	515	11,577
Balance, 31 March 2011	24,267	27,777	2,059	54,103
Amortization expense	6,557	4,010	515	11,082
Disposals	-	(8,334)	-	(8,334)
Balance, 31 March 2012	30,824	23,453	2,574	56,851
Net book value, 31 March 2012	**$ 4,438**	**$ 4,010**	**$ -**	**$ 8,448**
Net book value, 31 March 2011	$ 10,995	$ 8,020	$ 515	$ 19,530

8. Prepaid expenses

	31 March 2012	31 March 2011	1 April 2010
Professional fees	**$ 2,822**	$ -	$ -
Rent	**2,618**	2,618	2,618
Workplace, Health, Safety and Compensation Commission	**2,598**	2,902	2,206
Insurance	**862**	821	805
Salary	**-**	1,283	1,186
	$ 8,900	$ 7,624	$ 6,815

9. Contractual obligations

In August 2007, the Council entered into a five year agreement for the lease of office space requiring monthly lease payments of $2,618 with an option to renew for an additional five years at the same terms and conditions.

10. Financial instruments

The Council's financial instruments recognized on the balance sheet consist of cash, accounts receivable, and accounts payable and accrued liabilities. The carrying value of these instruments approximate current fair value due to their nature and the short-term maturity associated with them.

Risk management

The Council recognizes the importance of managing significant risks and this includes policies, procedures and oversight designed to reduce the risks identified to an appropriate threshold. A significant risk currently managed by the Council is liquidity risk.

Liquidity risk

Liquidity risk is the risk that the Council will be unable to meet its contractual obligations and financial liabilities. The Council manages liquidity risk by monitoring its cash flows and ensuring that it has sufficient resources available to meet its obligations and liabilities.

11. Expenses by object

The following is a summary of expenses by object:

	2012 Actual	2011 Actual
Salaries and benefits	$ **300,291**	$ 304,507
Travel related expenses	**30,628**	40,851
Rent	**29,608**	29,608
Supplies & services	**26,115**	20,920
Professional fees	**16,951**	22,388
Amortization of tangible capital assets	**11,082**	11,577
Other	**9,595**	6,569
	$ **424,270**	$ 436,420

As of 31 March 2012, the Council's actual expense did not exceed its legislated expense limit.

12. Budgeted figures

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the House of Assembly of the Province of Newfoundland and Labrador.

13. Employee future benefits

The Council and its employees contribute to the Public Service Pension Plan in accordance with the *Public Service Pensions Act, 1991*. The Government of Newfoundland and Labrador administers the plan, including payment of pension benefits to employees to whom the act applies. The Public Service Pension Plan is a multi-employer, defined benefit plan.

The plan provides a pension to employees based on their length of service and rates of pay. The maximum contribution rate for eligible employees was 8.6% (2011 - 8.6%). The Council's contributions equal the employee contributions to the plan. The Council is not required to make contributions in respect of any actuarial deficiencies of the plan. Total pension expense for the Council at 31 March 2012 was $18,831 (2011 - $18,860).

14. Related party transactions

The Council receives operating grants from the Province of Newfoundland and Labrador. Operating grants received during the year totalled $462,700 (2011 - $451,823)

15. Comparative figures

Certain comparative figures as at 31 March 2011 and 1 April 2010 and for the year ended 31 March 2011 have been reclassified to conform to current year's presentation.

16. Non-financial assets

The recognition and measurement of non-financial assets is based on their service potential. These assets will not provide resources to discharge liabilities of the Council. For non-financial assets, the future economic benefit consists of their capacity to render service to further the Council's objectives.

PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD

FINANCIAL STATEMENTS

31 MARCH 2012

Management's Report

Management's Responsibility for the Provincial Information and Library Resources Board Financial Statements

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that transactions are properly authorized, assets are safeguarded and liabilities are recognized.

Management is also responsible for ensuring that transactions comply with relevant policies and authorities and are properly recorded to produce timely and reliable financial information.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Board. The Board reviews internal financial information periodically and external audited financial statements yearly.

The Auditor General conducts an independent audit of the annual financial statements of the Board in accordance with Canadian generally accepted auditing standards, in order to express an opinion thereon. The Auditor General has full and free access to financial management of the Provincial Information and Library Resources Board.

On behalf of the Provincial Information and Library Resources Board.

Shawn Tetford

Mr. Shawn Tetford
Executive Director

Hunt

Mr. Andrew Hunt
Director of Financial Operations

27 August 2012

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

To the Board of Directors
Provincial Information and Library Resources Board
Stephenville, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Provincial Information and Library Resources Board which comprise the statement of financial position as at 31 March 2012, the statements of operations and accumulated surplus, remeasurement gains and losses, change in net debt, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Auditor's Report (cont.)

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

The Provincial Information and Library Resources Board did not determine a liability for accumulating non-vesting sick leave benefits using the projected benefit method determined by an actuarial valuation as recommended by Section PS 3255, *Post-employment benefits, compensated absences and termination benefits*, and Section PS 3250, *Retirement benefits*, of the Canadian public sector accounting standards. As a result, a liability for accumulating non-vesting sick leave has not been recorded and it is not practical to quantify the financial effects on employee future benefits, salaries and benefits, annual deficit, accumulated surplus, and net debt.

Qualified Opinion

In my opinion, except for the effects of the matters described in the Basis of Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Provincial Information and Library Resources Board as at 31 March 2012, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

TERRY PADDON, CA
Auditor General

27 August 2012
St. John's, Newfoundland and Labrador

PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD

STATEMENT OF FINANCIAL POSITION

31 March	2012	2011
		Restated (Note 4)
FINANCIAL ASSETS		
Cash	$ 2,620,519	$ 2,247,110
Accounts receivable (Note 5)	130,926	88,363
Due from the Province	115,289	-
Portfolio investments (Note 6)	39,718	23,492
	2,906,452	2,358,965
LIABILITIES		
Accounts payable and accrued liabilities (Note 7)	936,717	724,195
Employee future benefits (Note 8)	1,573,034	1,605,441
Deferred revenue (Note 9)	1,337,808	768,292
Obligation under capital lease (Note 12)	40,098	-
	3,887,657	3,097,928
Net debt	(981,205)	(738,963)
NON-FINANCIAL ASSETS		
Inventories held for use	70,703	66,599
Prepaid expenses	156,270	250,177
Tangible capital assets (Note 13)	2,806,198	2,560,235
	3,033,171	2,877,011
Accumulated surplus (Note 14)	$ 2,051,966	$ 2,138,048

Contractual obligations (Note 10)
Contingent liabilities (Note 11)
Trusts under administration (Note 15)

The accompanying notes and supplementary schedules are an integral part of these financial statements.

Signed on behalf of the Board: Colin Taylor — **Chairperson** Shawn Telford — **Member**

PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD
STATEMENT OF OPERATIONS AND ACCUMULDATED SURPLUS
For the Year Ended 31 March

	2012 Budget	2012 Actual	2011 Actual
	(Note 16)		Restated (Note 4)
REVENUE			
Province of Newfoundland and Labrador			
Operating grant	$ 10,815,900	$ 10,815,900	$ 10,319,600
Capital grant	350,000	846,738	554,887
Other grants			
Computerization projects	-	478,941	639,924
Kinderstart Literacy Program	-	81,327	153,260
Early Literacy Program	-	3,690	-
Miscellaneous	-	59,561	73,593
Fines and lost library materials	40,000	55,231	55,931
Interest	60,000	38,297	27,981
Dividend revenue	-	2,416	2,416
	11,265,900	12,382,101	11,827,592
EXPENSES			
Amortization	-	629,026	612,937
Books and periodicals	1,458,043	1,128,294	1,139,390
Computerization of libraries	335,000	338,835	348,642
Conferences and workshops	60,000	11,080	35,786
Early Literacy Program	-	6,020	-
Freight and postage	96,750	51,005	53,527
Grants - local libraries (Schedule)	629,595	682,575	526,234
Insurance	109,000	71,643	69,462
Kinderstart Literacy Program	-	82,555	153,259
Loss on disposal of capital assets	-	1,987	3,089
Miscellaneous	-	8,577	2,408
Office and library supplies	195,761	241,521	283,708
Professional fees	7,500	20,832	19,726
Rental of premises	399,500	396,941	397,836
Repairs and maintenance	17,650	20,105	12,559
Salaries and benefits	8,786,099	8,591,995	8,106,728
Telephone	72,500	64,764	75,384
Travel	171,884	136,654	127,428
	12,339,282	12,484,409	11,968,103
Annual deficit	(1,073,382)	(102,308)	(140,511)
Accumulated surplus, beginning of year	2,138,048	2,138,048	2,278,559
Accumulated surplus, end of year (Note 14)	$ 1,064,666	$ 2,035,740	$ 2,138,048

The accompanying notes and supplementary schedules are an integral part of these financial statements.

PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD
STATEMENT OF REMEASUREMENT GAINS AND LOSSES

For the Year Ended 31 March	2012	2011
Accumulated remeasurement gains, beginning of year	$ -	$ -
Unrealized gains attributable to:		
Portfolio investments	16,226	-
Accumulated remeasurement gains, end of year (Note 14)	**$ 16,226**	**$ -**

The accompanying notes and supplementary schedules are an integral part of these financial statements.

PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD
STATEMENT OF CHANGE IN NET DEBT
For the Year Ended 31 March

	2012 Budget	2012 Actual	2011 Actual Restated (Note 4)
Annual deficit	$ (1,073,382)	$ (102,308)	$ (140,511)
Use of prepaid expenses	-	250,177	202,868
Acquisition of prepaid expenses	-	(156,270)	(250,177)
Net acquisition of inventories held for use	-	(4,104)	(2,772)
	-	89,803	(50,081)
Acquisition of tangible capital assets	-	(880,955)	(636,718)
Loss on disposal of tangible capital assets	-	1,987	3,089
Proceeds from disposal of tangible capital assets	-	3,979	2,000
Amortization of tangible capital assets	-	629,026	612,937
	-	(245,963)	(18,692)
Accumulated remeasurement gains	-	16,226	-
Increase in net debt	(1,073,382)	(242,242)	(209,284)
Net debt, beginning of year	(738,963)	(738,963)	(529,679)
Net debt, end of year	$ (1,812,345)	$ (981,205)	$ (738,963)

The accompanying notes and supplementary schedules are an integral part of these financial statements.

PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD

STATEMENT OF CASH FLOWS

For the Year Ended 31 March	2012	2011
		Restated (Note 4)
Operating transactions		
Annual deficit	$ (102,308)	$ (140,511)
Adjustment for non-cash items		
Amortization	629,026	612,937
Loss on disposal of capital assets	1,987	3,089
	528,705	475,515
Change in non-cash operating items		
Accounts receivable	(42,563)	67,586
Due from the Province	(115,289)	-
Accounts payable and accrued liabilities	212,522	(259,437)
Employee future benefits	(32,407)	370,497
Deferred revenue	569,516	(314,764)
Inventories held for use	(4,104)	(47,309)
Prepaid expenses	93,907	(2,772)
Cash provided from operating transactions	1,210,287	289,316
Capital transactions		
Additions to capital assets	(880,955)	(636,718)
Proceeds from disposal of capital assets	3,979	2,000
Cash applied to capital transactions	(876,976)	(634,718)
Financing transactions		
Proceeds from obligations under capital lease	40,777	-
Repayments of obligations under capital lease	(679)	-
Cash provided from financial transactions	40,098	-
Increase (decrease) in cash	373,409	(345,402)
Cash, beginning of year	2,247,110	2,592,512
Cash, end of year	$ 2,620,519	$ 2,247,110

The accompanying notes and supplementary schedules are an integral part of these financial statements.

PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD
SCHEDULE OF OPERATING GRANTS TO LOCAL LIBRARIES
For the Year Ended 31 March

	2012	2011
Eastern Division		
Arnold's Cove	$ 1,794	$ 1,508
Bay Roberts	75,019	74,772
Bell Island	926	1,129
Bonavista	4,152	8,187
Brigus	6,615	5,912
Burin	605	549
Carbonear	39,630	39,671
Catalina	4,348	5,944
Clarenville	24,640	19,742
Conception Bay South	11,932	11,525
Fortune	410	433
Fox Harbour	5,267	5,173
Garnish	448	920
Grand Bank	9,410	15,726
Harbour Grace	7,839	10,719
Holyrood	6,108	5,234
Marystown	7,040	6,360
Mount Pearl	15,619	16,403
Old Perlican	2,098	3,168
Placentia	17,396	20,162
Pouch Cove	9,300	2,250
St. Brides	7,388	7,403
St. Lawrence	572	3,726
Southern Harbour	1,058	3,384
Torbay	3,052	1,257
Trepassey	7,926	7,584
Victoria	955	1,106
Whitbourne	3,759	5,030
Winterton	531	600
	275,837	285,577

PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD
SCHEDULE OF OPERATING GRANTS TO LOCAL LIBRARIES (Cont.)

For the Year Ended 31 March	2012	2011
Central Division		
Baie Verte	4,396	4,193
Bishop's Falls	1,829	1,325
Botwood	7,078	7,480
Buchans	711	696
Carmanville	938	1,011
Centerville	1,374	758
Change Islands	496	499
Fogo	595	637
Gambo	7,388	3,788
Gander	31,415	31,682
Gaultois	2,752	3,090
Glenwood	1,633	1,340
Glovertown	496	582
Grand Falls-Windsor	6,415	6,830
Greenspond	4,194	4,434
Harbour Breton	2,701	1,166
Hare Bay	1,027	958
Harry's Harbour	5,303	4,568
Hermitage	737	1,589
King's Point	4,601	6,161
LaScie	3,376	3,698
Lewisporte	4,524	5,049
Lumsden	1,083	741
Musgrave Harbour	654	816
Norris Arm	3,056	1,979
Point Leamington	728	1,508
Robert's Arm	4,164	3,773
St. Albans	8,260	934
Seal Cove	681	647
Springdale	1,219	4,640
Summerford	2,197	2,055
Twillingate	4,688	1,363
Wesleyville	531	839
	121,240	110,829

For the Year Ended 31 March	2012	2011
Western Newfoundland - Labrador Division		
Bay St. George South	**493**	483
Burgeo	**603**	654
Cape St. George	**1,152**	645
Cartwright	**505**	709
Churchill Falls	**371**	410
Codroy Valley	**592**	596
Cormack	**1,924**	1,692
Corner Brook	**164,336**	9,594
Cow Head	**6,700**	6,472
Daniel's Harbour	**1,250**	1,592
Deer Lake	**16,370**	21,221
Happy Valley	**2,743**	3,596
Labrador City	**13,990**	11,793
L'Anse au Loup	**2,866**	669
Lark Harbour	**840**	510
Lourdes	**749**	746
Norris Point	**2,376**	1,882
Pasadena	**3,925**	2,173
Port au Port	**1,097**	1,104
Port aux Basques	**13,545**	13,479
Port Saunders	**6,535**	5,425
Ramea	**788**	644
Rocky Harbour	**434**	469
St. Anthony	**1,497**	1,551
St. George's	**1,125**	1,695
St. Lunaire-Griquet	**454**	1,259
Sops Arm	**1,503**	1,054
Stephenville	**27,970**	24,846
Stephenville Crossing	**1,638**	1,175
Wabush	**2,241**	3,103
Woody Point	**4,886**	8,587
	285,498	129,828
	$ 682,575	$ 526,234

1. Nature of operations

The Provincial Information and Library Resources Board (the Board) operates under the authority of the *Public Libraries Act*. The purpose of the Board is to operate the public libraries in the Province. A majority of the members of the Board are appointed by the Lieutenant-Governor in Council. The Board reports to the Minister of Education.

The reporting entity for the purpose of these financial statements is the Board's head office and divisional offices. The Board's head office includes Administration, Technical Services and the Provincial Resource Library. These financial statements include expenditures for grants made to local libraries under the jurisdiction of the three divisional library boards detailed in the Schedule to the financial statements. Funds raised by local libraries in excess of the grants provided by the Board or any expenditures in excess of these grants are not reflected in these financial statements.

The Board is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

2. Summary of significant accounting policies

(a) Basis of accounting

These financial statements have been prepared by the Board's management in accordance with Canadian public sector accounting standards for provincial reporting entities established by the Canadian Public Sector Accounting Board. Outlined below are the significant accounting policies followed.

(b) Portfolio investments

Portfolio investments which do not have significant concessionary terms are recognized and measured at fair value when the portfolio investments are in equity instruments that are quoted in an active market. The Board used the quoted market price as at fiscal year end to measure the fair value of its portfolio investments.

Any unrealized gains or losses as a result of market price changes are reported in the statement of remeasurement gains and losses. Once the investment is derecognized as a financial instrument (i.e. shares sold), any gain or loss is then recognized in the statement of operations and accumulated surplus.

2. Summary of significant accounting policies (cont.)

(c) Tangible capital assets

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset.

Capital lease obligations are recorded at the present value of the minimum lease payments excluding executor costs (e.g. insurance, maintenance costs, etc.). The discount rate used to determine the present value of the lease payments is the lower of Board's rate for incremental borrowing or the interest rate implicit in the lease. Note 12 provides a schedule of repayments and amount of interest on the leases.

The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	40 years
Building improvements	10 years
Furniture and equipment	10 years
Motor vehicles	5 years
Computer equipment	3 years
Software	5 years
Assets under capital lease	10 years

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Board's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the statement of operations and accumulated surplus.

Contributed tangible capital assets are recorded into revenues at their fair market value on the date of donation, except in circumstances where fair value cannot be reasonably determined, which are then recognized at nominal value. Transfers of tangible capital assets from related parties are recorded at carrying value.

(d) Inventories held for use

Inventories held for use include office supplies and postage, and are recorded at the lower of historical cost and replacement cost.

(e) Prepaid expenses

Prepaid expenses include subscriptions, insurance and licenses, and are charged to expenses over the periods expected to benefit from it.

2. Summary of significant accounting policies (cont.)

(f) Deferred revenue

Certain amounts are received by the Board pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the delivery of specific services and transactions. These amounts are recognized as revenue in the fiscal year the related expenses are incurred, services are performed or when stipulations are met.

(g) Employee future benefits

(i) Severance is accounted for on an accrual basis and is calculated based upon years of service and current salary levels. The right to be paid severance vests with employees with nine years of continual service, and accordingly a liability has been recorded by the Board for these employees. For employees with less than nine years of continual service, the Board has made a provision in the accounts for the payment of severance which is based upon the Board's best estimate of the probability of having to pay severance to the employees and current salary levels. In determining the best estimate of the probability that employees would be paid severance, the Board considered the rate of employee turnover. Employees with prior service with the Government of Newfoundland and Labrador or a Crown corporation or agency may be considered for severance provided the previous employer followed the same or an equivalent severance policy. Severance is payable when the employee ceases employment with the Board provided no severance has been paid by Government or another Crown corporation or agency for the same period and the employee has at least nine years of continual service.

(ii) Under the *Public Libraries Act*, Board staff are subject to the *Public Service Pensions Act*. Employee contributions are matched by the Board and then remitted to the Province of Newfoundland and Labrador Pooled Pension Fund from which pensions will be paid to employees when they retire. The Plan is a defined benefit plan, providing a pension on retirement based on the member's age at retirement, length of service and highest earnings average over five years. The maximum contribution rate for eligible employees was 8.6% (2011 – 8.6%). The Board's share of pension contributions and the total expense for 2012 was $436,009 (2011 - $409,444). The Board is not required to make contributions in respect of any actuarial deficiencies of the Plan.

2. Summary of significant accounting policies (cont.)

(h) Revenues

Revenues are recorded on an accrual basis in the period in which the transactions or events which gave rise to the revenues occurred. When the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable, revenues are recorded as received.

Dividend revenue on portfolio investments is recognized when the dividend is declared.

The Board recognizes the receipt of government transfers as revenue in the period the transfer is authorized, any eligibility criteria are met, stipulations are met, and reasonable estimates of the amounts can be made. Transfers are recognized as deferred revenue when amounts have been received but not all eligibility criteria and stipulations have been met.

(i) Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is expensed.

(j) Measurement uncertainty

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of the revenues and expenses during the period. Items requiring the use of significant estimates include the expected future life of tangible capital assets and the probability of future severance payments made to employees with less than nine years of service.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

3. Changes in accounting standards: Early adoption of released CICA Public Sector Accounting Handbook sections

In March 2011, the Canadian Public Sector Accounting Board (PSAB) approved new Section PS 3450, *Financial Instruments*, Section PS 2601, *Foreign Currency Translation* and Section PS 1201, *Financial Statement Presentation* and in March 2012 the PSAB approved Section PS 3041, *Portfolio Investments*. The four sections are effective on 1 April 2012 for government organizations but earlier adoption is permitted. The Board decided to early adopt these sections for the year ended 31 March 2012 and, as a result, portfolio investments have been recorded at fair value and a statement of remeasurement gains and losses has been prepared which outlines the impact on the Board for the year ended 31 March 2012. The financial statements of prior periods including comparative information have not been restated.

4. Prior period adjustment

For the year ended 31 March 2012, the Board reviewed its calculation of its severance pay liability and determined the amount was insufficiently accrued as at 31 March 2011 for employees with less than nine years of continuous service. The severance pay amount was increased by $106,552 as at 31 March 2011, resulting in a decrease of $106,552 in accumulated surplus as at 31 March 2011. Salaries and benefits, and the annual deficit also both increased by $106,552 for the year ended 31 March 2011. In addition, an amount of $304,593 was reclassified as at 31 March 2011 from accounts payable and accrued liabilities to employee future benefits, which had been reclassified from severance pay liability, to conform to the current year's presentation.

Comparative Restatement 2010-11

	2011	2011 Restated	Change
Statement of Financial Position:			
Accounts payable and accrued liabilities	**$ 1,028,788**	**$ 724,195**	$ 304,593
Employee future benefits	**1,194,296**	**1,605,441**	(411,145)
Accumulated surplus	**2,244,600**	**2,138,048**	(106,552)
Statement of Operations:			
Salaries and benefits	**8,000,176**	**8,106,728**	106,552
Annual deficit	**(33,959)**	**(140,511)**	(106,552)
Statement of Change in Net Debt:			
Annual deficit	**(33,959)**	**(140,511)**	(106,552)

4. Prior period adjustment (cont.)

Comparative Restatement 2010-11 (cont.)

	2011	2011 Restated	Change
Statement of Cash Flows:			
Annual deficit	(33,959)	(140,511)	(106,552)
Employee future benefits	(40,648)	370,497	411,145
Accounts payable and accrued liabilities	45,156	(259,437)	(304,593)

5. Accounts receivable

	2012	2011
Federal Government		
Harmonized Sales Tax	$ 94,288	$ 45,817
Other	36,638	42,546
	$ 130,926	$ 88,363

There is no allowance for doubtful accounts since all amounts are considered collectible.

6. Portfolio investments

Portfolio investments consist of 1,678 shares of Sun Life Financial Services of Canada Inc. which were given to the Board as a result of the demutualization of Sun Life Assurance Company of Canada. The carrying value of the shares is equal to their market price at the time of transfer to the Board.

	Market Value		Carrying Value	
	2012	2011	2012	2011
Investments held directly				
Sun Life Financial Services of Canada - 1,678 shares	$ 39,718	$ 51,129	$ 23,492	$ 23,492
	$ 39,718	$ 51,129	$ 23,492	$ 23,492

7. Accounts payable and accrued liabilities

	2012	2011
Accounts payable	$ 208,933	$ 164,728
Accrued salaries and benefits	727,784	559,467
	$ 936,717	$ 724,195

8. Employee future benefits

Employee future benefits consist of the severance pay liability related to the following employees:

	2012	2011
Employees with 9 or more years of service	$ 1,442,410	$ 1,498,889
Employees with less than 9 years of service	130,624	106,552
	$ 1,573,034	$ 1,605,441

9. Deferred revenue

Deferred revenues are set aside for specific purposes as required either by legislation, regulation or agreement. As at 31 March 2012, the Board reported the following:

	Balance at beginning of year	Receipts during year	Transferred to revenue	Balance at end of year
Provincial source revenue	$ 733,525	$ 1,263,479	$ 667,596	$ 1,329,408
Other source revenue	34,767	11,062	37,429	8,400
	$ 768,292	$ 1,274,541	$ 705,025	$ 1,337,808

Deferred revenue relates to grants received for specific programs or capital equipment which has not yet been spent for these purposes by the Board. These amounts will be recognized as revenue when the specific program expenses are incurred or the capital equipment is acquired.

10. Contractual obligations

The Board has entered into lease agreements for the rental of photocopiers, microfiche readers, postal equipment and various rental properties throughout the Province. Future minimum lease payments are as follows:

2013	$ 668,451
2014	630,851
2015	501,851
2016	501,851
2017	500,829
Thereafter	4,274,538
	$ 7,078,371

11. Contingent liabilities

The Board has received a complaint of harassment for which damages have been sought and which may give rise to future liabilities. A statement of claim has not yet been filed and the estimated amount to be claimed is not determinable. The outcome of these actions is not determinable, and accordingly, no provision has been made in these financial statements for any liability that may result. Any losses arising from these actions will be recorded in the year in which the related claim is settled.

12. Obligations under capital lease

The Board acquired office furniture under the terms of a lease agreement ending 31 January 2022. There is no interest under the terms of the agreement and the Board will assume ownership at the end of the 10 year term. Payments under this obligation for the next 10 years are as follows:

2013	$ 4,078
2014	4,078
2015	4,078
2016	4,078
2017	4,078
2018 - 2022	19,708
Total minimum lease payments	$ 40,098

13. Tangible capital assets

Original Cost

	Balance 31 March 2011	Additions	Disposals	Balance 31 March 2012
Land	$ 285,907	$ -	$ -	$ 285,907
Buildings	1,758,867	-	-	1,758,867
Building improvements	1,350,207	310,935	-	1,661,142
Furniture and equipment	1,661,648	228,000	266,734	1,622,914
Motor vehicles	190,646	25,937	9,774	206,809
Computer equipment	1,725,755	275,306	376,267	1,624,794
Software	168,688	-	-	168,688
Assets under capital lease	-	40,777	-	40,777
	$ 7,141,718	$ 880,955	$ 652,775	$ 7,369,898

Accumulated Amortization

	Balance 31 March 2011	Amortization	Disposals	Balance 31 March 2012	Net book value 31 March 2012	Net book value 31 March 2011
Land	$ -	$ -	$ -	$ -	**$ 285,907**	$ 285,907
Buildings	1,171,289	38,789	-	1,210,078	**548,789**	587,578
Building improvements	467,760	165,356	-	633,116	**1,028,026**	882,447
Furniture and equipment	1,257,289	88,720	264,677	1,081,332	**541,582**	404,359
Motor vehicles	87,499	41,362	5,865	122,996	**83,813**	103,147
Computer equipment	1,428,958	290,721	376,267	1,343,412	**281,382**	296,797
Software	168,688	-		168,688	**-**	-
Assets under capital lease	-	4,078	-	4,078	**36,699**	-
	$ 4,581,483	$ 629,026	$ 646,809	$ 4,563,700	**$ 2,806,198**	$ 2,560,235

14. Accumulated surplus

The accumulated surplus is made up as follows:

	2012	2011
Accumulated surplus	$ 2,035,740	$ 2,138,048
Accumulated remeasurement gains	16,226	-
	$ 2,051,966	$ 2,138,048

15. Trusts under administration

Trust funds administered by the Board have not been included in the financial statements as expenditures of these funds are not controlled by the Board. The balances of funds held in trust are as follows:

	2012	2011
Local libraries - deposits	$ 96,892	$ 80,761
Provincial Territorial Public Library Council	54,201	39,198
	$ 151,093	$ 119,959

Funds raised by some local libraries have been deposited with the Board to cover the cost of wages for additional opening hours and for the purchase of books, periodicals and computers. The balance on deposit at 31 March 2012 consists of cash of $5,159, accounts receivable of $15,353 and 4,140 shares of various Investor Group Mutual Funds held in Trust for the St. John's Public Library Board which were donated to the Board. The carrying value of the mutual funds is recognized at the fair market value of $76,380 (2011- $75,415), as determined by the average cost at the time the shares were acquired by the Board. The fair market value of these shares at 31 March 2012 was $81,280 (2011-$85,101).

The Provincial Territorial Library Council is a national organization whose mandate is to study library services. Membership fees are paid each year into the account and expenses are periodically spent from the account as directed by the Council.

16. Budget

The Board's budget is prepared on the cash basis and, as a result, the 2012 budget expenditure exceeded the Province's current year provision for operating grants for the Board. The difference would be funded from cash surpluses carried forward from prior years.

17. Financial instruments

The Board's financial instruments recognized on the statement of financial position consist of cash, accounts receivable, due from the Province, portfolio investments, accounts payable and accrued liabilities, employee future benefits, and obligation under capital lease. The carrying values of cash, accounts receivable, due from the Province, accounts payable and accrued liabilities, and employee future benefits, approximate current fair value due to their nature and the short-term maturity or current market rate associated with these instruments, and no further risk exists. Portfolio investments are carried at fair value as disclosed in note 2(b) and note 6. Obligation under capital lease is carried at amortized cost and is not subject to interest rate risk as there is no interest charged on this obligation.

Risk management

The Board recognizes the importance of managing risks and this includes policies, procedures and oversight designed to reduce risks identified to an appropriate threshold. Risks currently managed by the Board include market risk and liquidity risk.

Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The Board's portfolio investments are subject to fluctuations in market prices; however, due to the insignificant amount it is not a significant risk to the Corporation.

Liquidity risk

Liquidity risk is the risk that the Board will be unable to meet its contractual obligations and financial liabilities. The Board manages liquidity risk by monitoring its cash flows and ensuring that it has sufficient resources available to meet its obligations and liabilities.

18. Comparative figures

Certain comparative figures have been reclassified to conform to current year's presentation.

Financial Statements of

Public Health Laboratory

March 31, 2012

ERNST & YOUNG

INDEPENDENT AUDITORS' REPORT

To the Management Committee of
Public Health Laboratory

We have audited the statement of financial position of **Public Health Laboratory** as at March 31, 2012 and the statements of operations, changes in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Public Health Laboratory** as at March 31, 2012 and the results of its operations, changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Comparative information

Without modifying our opinion, we draw attention to note 3 to the financial statements, which describes that the **Public Health Laboratory** adopted Canadian public sector accounting standards on April 1, 2011 with a transition date of April 1, 2010. These standards were applied retroactively by management to the comparative information in these financial statements, including the statements of financial position at March 31, 2011 and April 1, 2010, and the statements of operations, changes in net debt and cash flows for the year ended March 31, 2011, and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.

Other matter

The financial statements as at March 31, 2011 and for the year then ended, prepared in accordance with Canadian generally accepted accounting standards as promulgated in Part V of the Canadian Institute of Chartered Accountants Handbook, were audited by other auditors who expressed an unqualified opinion on those statements in their report dated August 15, 2011.

Ernst & Young LLP

Chartered Accountants

St. John's, Canada,
September 14, 2012.

Public Health Laboratory

STATEMENT OF OPERATIONS

Year ended March 31

	Budget $ *[unaudited]* *[note 15]*	**2012** **$**	**2011** **$** *[unaudited]*
REVENUE			
Provincial plan	5,348,100	**5,403,500**	4,529,623
Provincial plan capital grants	-	**194,862**	45,537
Other income	-	**30,812**	36,949
	5,348,100	**5,629,174**	4,612,109
EXPENSES			
Wages and benefits	2,770,539	**2,641,488**	2,126,534
Laboratory supplies	2,080,000	**2,048,087**	1,699,625
Operating supplies	177,161	**274,715**	205,889
Professional fees	198,200	**193,484**	236,396
Amortization of tangible capital assets	-	**111,344**	85,068
Repairs and maintenance	20,000	**105,636**	80,643
Travel	40,000	**65,828**	48,205
Printing, stationary and office	36,100	**39,231**	44,884
Minor equipment	21,000	**29,005**	40,268
Telephone	5,100	**15,185**	7,398
Accrued vacation	-	**(264,886)**	56,006
Accrued severance	-	**(169,758)**	41,453
Accrued sick leave	-	**(498)**	(1,087)
	5,348,100	**5,088,861**	4,671,282
Surplus (deficiency) of revenue over expenses		**540,313**	(59,173)
Accumulated deficit, beginning of year		**(877,405)**	(818,232)
Accumulated deficit, end of year		**(337,092)**	(877,405)

See accompanying notes

Public Health Laboratory

STATEMENT OF CHANGES IN NET DEBT

Year ended March 31

	Budget $ *[unaudited]*	2012 $	2011 $ *[unaudited]*
Annual surplus (deficit) for the year	-	540,313	(59,173)
Changes in tangible capital assets			
Acquisition of tangible capital assets	-	(194,862)	(45,537)
Amortization of tangible capital assets	-	111,344	85,068
(Increase) decrease in net book value of tangible capital assets	-	(83,518)	39,531
Changes in other non-financial assets			
Net change in prepaid expenses	-	55,867	—
Decrease in other non-financial assets	-	55,867	—
Decrease (increase) in net debt	-	512,662	(19,642)
Net debt, beginning of year	-	(1,274,243)	(1,254,601)
Net debt, end of year	-	(761,581)	(1,274,243)

See accompanying notes

Public Health Laboratory

STATEMENT OF FINANCIAL POSITION

As at

	March 31, 2012 $	March 31, 2011 $ *[unaudited]*	April 1, 2010 $ *[unaudited]*
FINANCIAL ASSETS			
Cash	**500**	500	500
Accounts receivable *[note 4]*	**25,236**	32,652	34,747
Due from government/other government entities *[note 5]*	**691,998**	58,866	5,166
Due from Eastern Regional Health Authority	—	179,001	70,533
	717,734	271,019	110,946
LIABILITIES			
Accounts payable and accrued liabilities *[note 7]*	**133,755**	169,115	135,435
Due to Eastern Regional Health Authority	**378,917**	—	—
Deferred revenue *[note 8]*			
Deferred capital grants	**190,033**	89,395	39,732
Deferred operating	—	75,000	75,000
Accrued vacation pay	**180,792**	445,678	389,672
Accrued severance pay *[note 10]*	**463,470**	633,228	591,775
Accrued sick leave *[note 11]*	**132,348**	132,846	133,933
	1,479,315	1,545,262	1,365,547
Net financial debt	**(761,581)**	(1,274,243)	(1,254,601)
Non-financial assets			
Tangible capital assets *[note 6]*	**402,414**	318,896	358,427
Prepaid expenses	**22,075**	77,942	77,942
	424,489	396,838	436,369
Accumulated deficit	**(337,092)**	(877,405)	(818,232)

See accompanying notes

On behalf of the Board:

Director

Director

Public Health Laboratory

STATEMENT OF CASH FLOWS

Year ended March 31

	2012	**2011**
	$	**$**
		[unaudited]
OPERATING TRANSACTIONS		
Annual surplus (deficiency) of revenue over expenses	**540,313**	(59,173)
Adjustments for		
Amortization of tangible capital assets	**111,344**	85,068
Provincial plan capital grants	**(194,862)**	(45,537)
(Decrease) increase in severance pay accrual	**(169,758)**	41,453
Decrease in sick leave accrual	**(498)**	(1,087)
Net change in non-cash assets and liabilities related to operations *[note 9]*	**(286,539)**	(20,724)
Cash provided by operating transactions	—	—
CAPITAL TRANSACTIONS		
Provincial plan capital grants	**194,862**	45,537
Purchase of tangible capital assets	**(194,862)**	(45,537)
Cash used by capital transactions	—	—
Net change in cash during the year	—	—
Cash, beginning of year	**500**	500
Cash, end of year	**500**	500

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS

The purpose of The Public Health Laboratory [the "Laboratory"] is to act as the provincial reference laboratory centre for clinical and public health microbiology and infectious disease surveillance and control. The Laboratory offers specialized and reference laboratory services to all physicians, hospitals, clinics and health related agencies in the Province of Newfoundland and Labrador [the "Province"].

The Laboratory is a not-for-profit organization and is exempt from income taxes.

The Laboratory coordinates with the Eastern Regional Health Authority ["Eastern Health"] to provide the reference laboratory centre. Eastern Health is responsible for the distribution of operating funds and capital grants, and providing certain services to the Laboratory.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The Laboratory considers itself to be an Other Government Organization ["OGO"]. Accordingly, the financial statements have been prepared in accordance with Public Sector Accounting Standards ["PSA"] as promulgated by the Canadian Institute of Chartered Accountants ["CICA"]. Previously, the Laboratory's financial statements were prepared in accordance with Part V of the CICA Handbook ["Pre-changeover Accounting Standards" or "Previous GAAP"].

The significant accounting policies used in the preparation of these financial statements are as follows:

Basis of presentation

These financial statements include only the assets, liabilities, revenues and expenses relating to the operations carried on under the name of the Public Health Laboratory.

Revenue recognition

Provincial plan revenues without eligibility criteria and stipulations restricting their use are recognized as revenue when the transfers are authorized.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

Government transfers with stipulations restricting their use are recognized as revenue when the transfer is authorized and the eligibility criteria are met by the Laboratory except when and to the extent the transfer gives rise to an obligation that constitutes a liability. When the transfer gives rise to an obligation that constitutes a liability, the transfer is recognized in revenue when the liability is settled.

Other revenue is recognized in the period services are provided.

The Laboratory is dependent on funding from the Department of Health and Community Services [the "Department"] for the total of its operating costs, after deduction of specified revenues and expenses, to the extent of the approved budget. The final amount to be received by the Laboratory for a particular fiscal year will not be determined until the Department has completed its review of the Laboratory's financial statements. Adjustments resulting from the Department's review and final position statements will be considered by the Laboratory and reflected in the year of assessment.

Expense recognition

Expenses are recorded on the accrual basis as they are incurred and measurable based on receipt of goods or services and obligation to pay.

Asset classification

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not to be consumed in the normal course of operations. Non-financial assets are acquired, constructed or developed assets that do not provide resources to discharge existing liabilities but are employed to deliver laboratory services, may be consumed in normal operations and are not for resale.

Cash

Cash consists of cash on hand.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

Tangible capital assets

Tangible capital assets are recorded at cost. Rates and bases of amortization applied to write off the cost of tangible capital assets over their estimated useful lives are as follows:

Equipment	15% straight-line
Computer equipment	20% straight-line

Gains and losses on disposal of individual assets are recognized in operations in the year of disposal.

Impairment of long-lived assets

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Laboratory's ability to provide goods and services, or when the value of future economic benefits associated with tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the statement of operations.

Leases

Leases are classified as either capital or operating. Leases that transfer substantially all benefits and risks of ownership are accounted for as capital leases. At the time a capital lease is entered into, an asset is recorded together with its related long-term obligation to reflect the purchase and financing. All other leases are accounted for as operating wherein rental payments are expensed as incurred.

Capital contributions

Capital contributions are recorded as deferred capital grants when there are associated stipulations relating to the purchase of capital assets, resulting in a liability. These grants are recognized as revenue when the related assets are acquired and the liability is settled.

Accrued vacation pay

Vacation pay is accrued for all employees as entitlement is earned.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

Accrued severance

Employees are entitled to severance benefits as stipulated in their conditions of employment. The right to be paid severance pay vests with employees with nine years of continual service with the Laboratory or another public sector employer. Severance is payable when the employee ceases employment with the Laboratory and the public sector. The severance benefit obligation has been actuarially determined using assumptions based on management's best estimates of future salary and wage changes, employee age, years of service, the probability of voluntary departure due to resignation or retirement, the discount rate and other factors. Discount rates are based on the Province's long-term borrowing rate. Actuarial gains and losses are recognized immediately through the statement of operations.

Accrued sick leave

Employees of the Laboratory are entitled to sick leave benefits which accumulate but do not vest. In accordance with PSA for post-employment benefits and compensated balances, the Laboratory recognizes the liability in the period in which the employee renders service. The obligation is actuarially determined using assumptions based on management's best estimates of the probability of use of accrued sick leave, future salary and wage changes, employee age, the probability of departure, retirement age, the discount rate and other factors. Discount rates are based on the Province's long-term borrowing rate. Actuarial gains and losses are recognized immediately through the statement of operations.

Pension costs

Employees of the Laboratory are members of the Public Service Pension Plan and the Government Money Purchase Plan [the "Plans"] administered by the Government of Newfoundland and Labrador. Contributions to the Plans are required from both the employees and the Laboratory. The annual contributions for pensions are recognized as an expense and amounted to $118,535 for the year ended March 31, 2012 [2011 - $118,747].

Financial instruments

Financial assets and liabilities are classified according to their characteristics and management's choices and intentions related thereto for the purposes of ongoing measurement. The fair value of a financial instrument is the estimated amount to be received or paid to terminate the instrument's agreement at the reporting date. Various market value data and other valuation techniques are used as appropriate to estimate the fair value of each type of financial instrument.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

Financial assets and liabilities are generally classified and measured as follows:

Asset/liability	Classification	Measurement
Cash	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Due from government/other government entities	Loans and receivables	Amortized cost
Due from Eastern Regional Health Authority	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Due to Eastern Regional Health Authority	Other liabilities	Amortized cost

Use of estimates

The preparation of financial statements in conformity with PSA requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the year. Actual results could differ from these estimates.

3. TRANSITION TO PUBLIC SECTOR ACCOUNTING STANDARDS

Prior to the presentation of the March 31, 2012 financial statements, the Laboratory followed the recommendations of Pre-changeover Standards. In October 2009, the Public Sector Accounting Board ["PSAB"] finalized changes to accounting standards. As a result, for fiscal years ending on or after January 1, 2011, the Laboratory is required to reclassify themselves in accordance with PSA standards. In accordance with recommendations of the Public Sector Accounting Handbook, the Laboratory determined that it is an OGO and PSA is the most appropriate framework for reporting purposes. The Laboratory adopted PSA for its fiscal year beginning April 1, 2011, with a transition date of April 1, 2010 [the "Transition Date"].

The impact of the conversion to PSA on the accumulated deficit at the Transition Date and on the comparative annual surplus (deficiency) for the year ended March 31, 2012 is presented in the reconciliation below. These accounting changes have been applied retroactively with restatement of prior periods.

3. TRANSITION TO PUBLIC SECTOR ACCOUNTING STANDARDS [Cont'd]

Exceptions to retroactive application

The Laboratory ensured that the estimates reflected in the opening statement of financial position prepared in accordance with PSA were consistent with those in the statement of financial position as at the same date prepared under Previous GAAP adjusted, as needed, for any difference in accounting policy. Estimates required under PSA that were not required under Previous GAAP reflect the conditions that existed at the opening statement of financial position date prepared in accordance with PSA.

Exemptions applied

In accordance with Section PS 2125, *First-time Adoption by Government Organizations*, the Laboratory elected to apply the following exemptions:

Tangible capital asset impairment
As a result of applying this exemption, the Laboratory prospectively applied, as of the Transition Date, the impairment criteria and conditions for tangible capital assets set out in Section PS 3150, *Tangible Capital Assets*.

Retirement and post-employment benefits
As a result of applying this exemption, the Laboratory elected to recognize all cumulative actuarial gains and losses as at the Transition Date to PSA directly in accumulated deficit.

The Laboratory reviewed the first-time adoption standard and determined that none of the other exemptions were applicable.

Early adoption

Section PS 3410, *Government Transfers*, was amended by the PSAB in December 2010. The main changes pertain to recognition criteria for government transfers by the recipient. These amendments are effective for fiscal years beginning on or after April 1, 2012 and earlier adoption is encouraged. The Laboratory elected to early adopt the Section for the year ending March 31, 2012.

3. TRANSITION TO PUBLIC SECTOR ACCOUNTING STANDARDS [Cont'd]

Section PS 3450, *Financial Instruments*, provides guidance for recognition, measurement and disclosure of financial instruments. The transitional provisions in the standard state that when a government organization applies this standard in the same period it adopts PSA for the first time, this standard cannot be applied retroactively. The Laboratory previously disclosed in its prior financial statements the various risks related to financial instruments as required by this standard. As a result, there were no significant impacts in the Laboratory's financial statements upon early adoption of this standard.

3. TRANSITION TO PUBLIC SECTOR ACCOUNTING STANDARDS [Cont'd]

The following tables present the reconciliation of account balances from Previous GAAP to PSA:

Reconciliation of the April 1, 2010 statement of financial position:

	Footnotes	Previous GAAP $	Adjustments $	PSA Standards $
FINANCIAL ASSETS				
Cash		500	—	500
Accounts receivable	*a*	39,913	(5,166)	34,747
Due from government/other government entities	*a*	—	5,166	5,166
Due from Eastern Regional Health Authority		70,533	—	70,533
		110,946	—	110,946
LIABILITIES				
Accounts payable and accrued liabilities		135,435	—	135,435
Employee future benefits				
Accrued sick leave	*b*	—	133,933	133,933
Accrued severance pay	*c, d*	504,774	87,001	591,775
Accrued vacation pay		389,672	—	389,672
Deferred revenue				
Deferred capital contributions	*e*	358,427	(358,427)	—
Deferred capital grants		39,732	—	39,732
Deferred operating		75,000	—	75,000
		1,503,040	(137,493)	1,365,547
Net financial debt		(1,392,094)	137,493	(1,254,601)
Non-financial assets				
Tangible capital assets		358,427	—	358,427
Prepaid expenses		77,942	—	77,942
		436,369	—	436,369
Accumulated surplus (deficit)	*b, c, e*	(955,725)	137,493	(818,232)

3. TRANSITION TO PUBLIC SECTOR ACCOUNTING STANDARDS [Cont'd]

Reconciliation of the March 31, 2011 statement of financial position:

	Footnotes	Previous GAAP $	Adjustments $	PSA Standards $
FINANCIAL ASSETS				
Cash		500	—	500
Accounts receivable	*a*	91,518	(58,866)	32,652
Due from government/other government entities	*a*	—	58,866	58,866
Due from Eastern Regional Health Authority		179,001	—	179,001
		271,019	—	271,019
LIABILITIES				
Accounts payable and accrued liabilities		169,115	—	169,115
Employee future benefits				
Accrued sick leave	*b*	—	132,846	132,846
Accrued severance pay	*c, d*	546,908	86,320	633,228
Accrued vacation pay		445,678	—	445,678
Deferred revenue				
Deferred capital contributions	*e*	318,896	(318,896)	—
Deferred capital grants	*e*	102,695	(13,300)	89,395
Deferred operating		75,000	—	75,000
		1,658,292	(113,030)	1,545,262
Net financial debt		(1,387,273)	113,030	(1,274,243)
Non-financial assets				
Tangible capital assets		318,896	—	318,896
Prepaid expenses		77,942	—	77,942
		396,838	—	396,838
Accumulated surplus (deficit)	*b, c, e*	(990,435)	113,030	(877,405)

3. TRANSITION TO PUBLIC SECTOR ACCOUNTING STANDARDS [Cont'd]

Resulting adjustments to annual deficiency for the year ended March 31, 2011:

	$
Deficiency, March 31, 2011 – Previous GAAP	(34,710)
Reversal of amortization of deferred capital contributions *[e]*	(85,068)
Provincial plan capital grants *[e]*	45,537
Operating grants *[e]*	13,300
Change to accrued severance *[c]*	681
Accrued sick leave *[b]*	1,087
Deficiency, March 31, 2011 – PSA	(59,173)

[a] Under Previous GAAP, the Laboratory presented amounts due from and to government and other government entities within the respective accounts receivable and accounts payable balances on the statement of financial position. Section PS 1200, *Financial Statement Presentation*, suggests that amounts due from and to government and other government entities should be presented separately on the statement of financial position. As a result, the Laboratory has reclassified these amounts and presented them separately.

[b] Each employee of the Laboratory is entitled to a number of days of sick leave per fiscal year. Earned but unused sick leave is accrued and deferred. Under Previous GAAP, the Laboratory was not required to recognize a liability in respect of sick leave to the extent that the incapacity to work arising from injury or illness had not occurred. Under Section PS 3255, *Post-employment Benefits, Compensated Absences and Termination Benefits*, sick leave benefits that accumulate but do not vest are considered obligations. As a result, the Laboratory recorded an employee future benefit obligation related to sick leave, which resulted in an increase in the accumulated deficit at the Transition Date and an increase to the related expense in the statement of operations for 2011 and 2012.

[c] Under Previous GAAP, the Laboratory recognized an accrued severance pay, calculated based upon years of service and current salary levels. Under Section PS 3250, *Retirement Benefits*, the accrued severance pay would be classified as a retirement benefit and would follow the accrued benefit method, which is used to attribute the cost of the retirement benefit to the periods of employee service, through an actuarial valuation. As a result, the Laboratory recorded a change to the value of the accrued severance pay, which increased the accumulated deficit at the Transition Date and resulted in an increase to the related expense in the statement of operations for 2011.

3. TRANSITION TO PUBLIC SECTOR ACCOUNTING STANDARDS [Cont'd]

[d] Under Previous GAAP, the Laboratory presented a current portion of accrued severance pay on the statement of financial position. Under PSA, current assets and liabilities are not presented separately. As a result, the current portion classification was removed upon the Transition Date and the total associated obligations are presented within one line on the statement of financial position.

[e] Under Previous GAAP, government transfers received and used for the purchase of capital assets were deferred and amortized into operations at the same rate the related assets were amortized. Under Section PS 3410, *Government Transfers*, funds received from the government and used for the purchase of capital assets are recognized as revenue when no stipulations exist and the related liability has been settled. As a result, the Laboratory removed the balance of deferred capital contributions upon the Transition Date of $358,427 which resulted in a decrease in deferred capital contributions and a corresponding decrease in the accumulated deficit. This also resulted in a net increase to the annual deficit for the year ended March 31, 2011 of $26,231.

4. ACCOUNTS RECEIVABLE

	March 31, 2012 $	**March 31, 2011 $**	**As at April 1, 2010 $**
		[unaudited]	*[unaudited]*
Payroll advance	**17,065**	32,652	34,747
Patient research recoveries	**8,171**	—	—
	25,236	32,652	34,747

5. DUE FROM GOVERNMENT/OTHER GOVERNMENT ENTITIES

	March 31, 2012 $	March 31, 2011 $	As at April 1, 2010 $
		[unaudited]	*[unaudited]*
Government of Newfoundland and Labrador	**654,000**	—	—
Other government entities	**37,998**	58,866	5,166
	691,998	58,866	5,166

The amount due from the Government of Newfoundland and Labrador is a one-time budget adjustment regarding severance payouts incurred during the year ended March 31, 2012.

6. TANGIBLE CAPITAL ASSETS

	March 31, 2012			
	Equipment $	Computer equipment $	Leased equipment $	Total $
Cost				
Opening balance	1,800,105	50,572	821,225	2,671,902
Additions	178,282	16,580	—	194,862
Closing balance	1,978,387	67,152	821,225	2,866,764
Accumulated amortization				
Opening balance	1,481,209	50,572	821,225	2,353,006
Amortization	108,028	3,316	—	111,344
Closing balance	1,589,237	53,888	821,225	2,464,350
Net book value	389,150	13,264	—	402,414

6. TANGIBLE CAPITAL ASSETS [Cont'd]

	March 31, 2011			
	Equipment $	**Computer equipment** $	**Leased equipment** $	**Total** $ *[unaudited]*
Cost				
Opening balance	1,754,568	50,572	821,225	2,626,365
Additions	45,537	—	—	45,537
Closing balance	1,800,105	50,572	821,225	2,671,902
Accumulated amortization				
Opening balance	1,396,141	50,572	821,225	2,267,938
Amortization	85,068	—	—	85,068
Closing balance	1,481,209	50,572	821,225	2,353,006
Net book value	318,896	—	—	318,896

	As at April 1, 2010			
	Equipment $	**Computer equipment** $	**Leased equipment** $	**Total** $ *[unaudited]*
Cost				
Opening balance	1,628,999	50,572	821,225	2,500,796
Additions	125,569	—	—	125,569
Closing balance	1,754,568	50,572	821,225	2,626,365
Accumulated amortization				
Opening balance	1,304,101	50,572	821,225	2,175,898
Amortization	92,040	—	—	92,040
Closing balance	1,396,141	50,572	821,225	2,267,938
Net book value	358,427	—	—	358,427

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2012 $	March 31, 2011 $	As at April 1, 2010 $
		[unaudited]	*[unaudited]*
Accounts payable and accrued liabilities	**116,956**	42,782	35,870
Salaries and wages payable	**16,799**	126,333	99,565
	133,755	169,115	135,435

8. DEFERRED REVENUE

Deferred revenue is set aside for specific purposes as required by legislation, regulation or agreement. The Laboratory reported the following deferred revenue balances at:

	March 31, 2012 $	March 31, 2011 $	As at April 1, 2010 $
		[unaudited]	*[unaudited]*
Deferred capital grants [a]			
Balance, beginning of year	**89,395**	39,732	—
Receipts during year	**275,900**	108,500	165,300
Adjustments [c]	**30,000**	—	—
Recognized in revenue during year	**(205,262)**	(58,837)	(125,568)
Balance, end of year	**190,033**	89,395	39,732
Deferred operating revenue [b]			
Balance, beginning of year	**75,000**	75,000	75,000
Adjustments [c]	**(30,000)**	—	—
Recognized in revenue during year	**(45,000)**	—	—
Balance, end of year	—	75,000	75,000

8. DEFERRED REVENUE [Cont'd]

[a] Deferred capital grants represent government transfers received with associated stipulations relating to the purchase of capital assets, resulting in a liability. These grants will be recognized as revenue when the related assets are acquired and the liability is settled.

[b] Deferred operating revenue represents externally restricted government transfers with associated stipulations relating to specific projects or programs, resulting in a liability. These transfers will be recognized in the period in which the resources are used for the purposes specified.

[c] An amount of $30,000 was reclassified from deferred operating revenue to a deferred capital grant and recognized as revenue in the year ended March 31, 2012, as these funds were used to purchase capital equipment.

9. CHANGES IN NON-CASH ASSETS AND LIABILITIES RELATED TO OPERATIONS

	2012 $	2011 $ *[unaudited]*
Accounts receivable	**7,416**	2,095
Due from government/other government entities	**(633,132)**	(53,700)
Due from Eastern Regional Health Authority	**179,001**	(108,468)
Accounts payable and accrued liabilities	**(35,360)**	33,680
Due to Eastern Regional Health Authority	**378,917**	—
Deferred revenue – operating	**(75,000)**	—
Deferred revenue – capital grants	**100,638**	49,663
Accrued vacation pay	**(264,886)**	56,006
Prepaid expenses	**55,867**	—
	(286,539)	(20,724)

10. ACCRUED SEVERANCE PAY

The Laboratory provides a severance payment to employees upon retirement, resignation or termination without cause. The actuarial valuation for accrued severance pay was performed effective April 1, 2010, and an extrapolation of that valuation has been performed to March 31, 2011 and March 31, 2012.

	2012 **$**	**2011** **$** *[unaudited]*
Accrued benefit obligation, beginning of year	**633,228**	591,775
Benefit expense		
Current service cost	**21,617**	19,916
Interest cost	**24,574**	30,763
Actuarial loss	**15,163**	11,056
	694,582	653,510
Benefits paid	**(231,112)**	(20,282)
Accrued benefit obligation, end of year	**463,470**	633,228

The significant actuarial assumptions used in measuring the accrued severance pay and benefit expense are as follows:

	2012	**2011**	**2010**
Discount rate – benefit cost	**3.85%**	4.65%	5.20%
Rate of compensation increase	**4.00%**	4.00%	4.00%

NOTES TO FINANCIAL STATEMENTS

March 31, 2012

11. ACCRUED SICK LEAVE

The Laboratory provides sick leave benefits to employees which accumulate but do not vest. The actuarial valuation for accrued sick leave was performed effective April 1, 2010, and an extrapolation of that valuation has been performed to March 31, 2011 and March 31, 2012.

	2012 $	2011 $ *[unaudited]*
Accrued benefit obligation, beginning of year	**132,846**	133,933
Benefit expense		
Current service cost	**16,162**	15,179
Interest cost	**5,926**	6,685
Actuarial loss	**4,372**	2,970
	159,306	158,767
Benefits paid	**(26,958)**	(25,921)
Accrued benefit obligation, end of year	**132,348**	132,846

The significant actuarial assumptions used in measuring the accrued sick leave and benefit expense are as follows:

	2012	2011	2010
Discount rate - benefit cost	**3.85%**	4.65%	5.20%
Rate of compensation increase	**4.00%**	4.00%	4.00%

12. RELATED PARTY TRANSACTIONS

The Laboratory had the following transactions with the Government and other government controlled entities:

	2012 $	2011 $ *[unaudited]*
Grants from the Province	**5,699,000**	4,624,823
Transfers from other government entities	**55,788**	236,871
Transfers to other government entities	**(185,682)**	(238,108)
	5,569,106	4,623,586

13. CAPITAL MANAGEMENT

The Laboratory's objective when managing capital is to ensure it maintains adequate capital to support its continued operations.

The Laboratory is not subject to externally imposed capital requirements.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial risk factors

The Laboratory has exposure to credit risk and liquidity risk. The Laboratory's Management Committee has overall responsibility for the oversight of these risks and reviews the Laboratory's policies on an ongoing basis to ensure that these risks are appropriately managed. The source of risk exposure and how each is managed is outlined below:

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligation. The Laboratory's credit risk is primarily attributable to accounts receivable. Management believes that the credit risk with respect to accounts receivable is not material.

Liquidity risk

Liquidity risk is the risk that the Laboratory will not be able to meet its financial obligations as they become dne. The Laboratory is dependent on funding from the Department.

Fair value

The fair value of the Laboratory's short-term financial instruments approximates the carrying value due to the short-term maturity and normal credit terms of those instruments.

15. BUDGET

The Laboratory prepares an initial budget for a fiscal period that is approved by the Management Committee and the Department [the "Original Budget"]. The Original Budget may change significantly throughout the year as it is updated to reflect the impact of all known service and program changes approved by the Department. Additional changes to services and programs that are initiated throughout the year would be funded through amendments to the Original Budget and an updated budget is prepared by the Laboratory. The updated budget amounts are reflected in the unaudited budget amounts as presented in the statement of operations [the "Budget"].

The Original Budget and Budget do not include amounts relating to certain non-cash and other items including capital asset amortization, the recognition of provincial capital grants and other capital contributions, adjustments required to the accrued benefit obligations associated with severance and sick leave, and adjustments to accrued vacation.

REGISTRAR OF THE SUPREME COURT

FINANCIAL STATEMENTS

31 MARCH 2011

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

To the Public Trustee (A)
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Registrar of the Supreme Court, which comprise the statement of fund balances as at 31 March 2011 and the statements of changes in fund balance for the Estate/Trust Fund, Supreme Court Fund and Administration Fund for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting policies described in Note 1 to meet the information needs of the Public Trustee, the Chief Justice of the Trial Division of the Supreme Court of Newfoundland and Labrador, and the Government of Newfoundland and Labrador under Section 67 of the *Judicature Act*, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Auditor's Report (cont.)

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Registrar of the Supreme Court as at 31 March 2011, and the results of its operations for the year then ended in accordance with the accounting policies described in note 1 to these financial statements.

Report on Other Legal and Regulatory Requirements

These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information of the Public Trustee, the Chief Justice of the Trial Division of the Supreme Court of Newfoundland and Labrador, and the Government of Newfoundland and Labrador under section 67 of the *Judicature Act*. These financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose.

WAYNE R. LOVEYS, CMA
Auditor General (A)

22 August 2011
St. John's, Newfoundland and Labrador

STATEMENT 1

REGISTRAR OF THE SUPREME COURT
STATEMENT OF FUND BALANCES
31 March

	Estate/Trust Fund (Note 2)	Supreme Court Fund (Note 3)	Administration Fund (Note 4)	2011	2010
ASSETS					
Cash	**$ 10,045,332**	**$ 5,474,619**	**$ 302,044**	**$ 15,821,995**	$ 15,225,494
Investments (Note 5)	**16,406,496**	**75,000**	**-**	**16,481,496**	17,784,303
Irrevocable letters of credit and securities	**-**	**462,618**	**-**	**462,618**	670,511
Real estate and other assets (Note 1)	**1**	**-**	**-**	**1**	1
Total assets	**$ 26,451,829**	**$ 6,012,237**	**$ 302,044**	**$ 32,766,110**	$ 33,680,309
Total Fund balances	**$ 26,451,829**	**$ 6,012,237**	**$ 302,044**	**$ 32,766,110**	$ 33,680,309

See accompanying notes

Signed:
Public Trustee (A)

REGISTRAR OF THE SUPREME COURT
STATEMENT OF CHANGES IN FUND BALANCE
ESTATE/TRUST FUND

For the Year Ended 31 March	2011	2010
INCREASES		
Estate/trust assets received	$ 5,485,525	$ 6,299,994
Investment income	421,805	538,246
Pension, compensation and assistance	2,404,739	2,030,480
Revaluation of investments	135,601	622,747
Sale of chattels	235,027	38,263
Sale of real estate	2,974,753	2,201,115
	11,657,450	11,730,845
DECREASES		
Commissions charged and paid to Administration Fund	290,290	411,335
Estates/trusts completed	4,138,444	6,326,214
Estate/trust disbursements	5,988,296	4,878,458
Excess interest paid to Administration Fund	6,589	2,094
Harmonized sales tax paid to Administration Fund	38,419	54,478
Unclaimed estates paid to Administration Fund	62,443	84,107
	10,524,481	11,756,686
Net increase (decrease)	1,132,969	(25,841)
Fund balance, beginning of year	25,318,860	25,344,701
Fund balance, end of year	$ 26,451,829	$ 25,318,860

See accompanying notes

REGISTRAR OF THE SUPREME COURT
STATEMENT OF CHANGES IN FUND BALANCE
SUPREME COURT FUND

For the Year Ended 31 March	2011	2010
INCREASES		
Court actions (Payments into Court)	$ 1,746,834	$ 1,720,688
Divorce fees	8,450	8,280
Fees	1,409,834	1,194,762
Fines and bail	51,905	99,980
Investment income	93,293	60,131
Law Society fees	12,321	12,996
	3,322,637	3,096,837
DECREASES		
Commissions charged and paid to Administration Fund	21,205	3,045
Court actions (Payments out of Court)	3,713,079	1,690,192
Divorce fees	10,010	6,723
Excess interest paid to Administration Fund	6,096	-
Fees paid to Consolidated Revenue Fund	1,395,794	1,192,803
Fines and bail	-	7,001
Harmonized sales tax on Commissions paid to Administration Fund	-	117,869
Undistributed amounts paid to Administration Fund	183,546	-
Law Society fees	15,228	9,984
	5,344,958	3,027,617
Net increase (decrease)	(2,022,321)	69,220
Fund balance, beginning of year	8,034,558	7,965,338
Fund balance, end of year	$ 6,012,237	$ 8,034,558

See accompanying notes

REGISTRAR OF THE SUPREME COURT
STATEMENT OF CHANGES IN FUND BALANCE
ADMINISTRATION FUND

For the Year Ended 31 March	2011	2010
INCREASES		
Commissions received from other Funds	$ 311,495	$ 414,380
Excess interest received from other Funds	12,685	2,094
Harmonized sales tax received from other Funds	38,419	172,347
Public Trustee Conference	8,713	-
Unclaimed and undistributed amounts received from other Funds	245,989	84,107
	617,301	672,928
DECREASES		
Commissions paid to Consolidated Revenue Fund	311,495	446,882
Harmonized sales tax remitted to Federal Government	38,419	139,845
Office administration expenses paid from Special Reserve Fund	1,613	2,544
Public Trustee Conference	8,713	-
Professional fees	35,919	1,660
Unclaimed and undistributable amounts paid to Consolidated Revenue Fund	245,989	84,107
	642,148	675,038
Net decrease	(24,847)	(2,110)
Fund balance, beginning of year	326,891	329,001
Fund balance, end of year	$ 302,044	$ 326,891

See accompanying notes

Authority

The Registrar of the Supreme Court (the Registrar) operates under the authority of the *Judicature Act*.

The Registrar administers estates of deceased persons when appointed personal representative by the Supreme Court of Newfoundland and Labrador and administers trusts of minors and mentally disabled persons when appointed guardian by the Court or by virtue of Section 20 of the *Mentally Disabled Persons' Estates Act*. The Registrar also has custody of monies paid to the Court in pending actions, as well as monies paid to the Court or to the Registrar under various statutes.

1. Basis of accounting

These financial statements have been prepared by the Registrar in accordance with the significant accounting policies set out below to meet the information needs of the Registrar, the Chief Justice of the Trial Division of the Supreme Court of Newfoundland and Labrador, and the Government of Newfoundland and Labrador under Section 67 of the *Judicature Act*. The basis of accounting used in these financial statements materially differs from Canadian generally accepted accounting principles because all receipts and disbursements are being recognized on a cash basis and not all expenditures related to the operations of the Registrar are reflected in these statements.

Summary of significant accounting policies

These financial statements are prepared on the cash basis of accounting. Outlined below are the significant accounting policies followed.

(a) Administrative expenditures

The Office of the Registrar, for administrative purposes, operates as a division of the Department of Justice. Therefore, expenditures related to salaries, accommodations and administration are absorbed by the Department of Justice and no provision has been made in these financial statements for the cost of these items. However, office administration expenditures paid from the Registrar's Special Reserve Fund under Section 72(2) of the *Judicature Act* are recorded in these financial statements in the amount of $1,613 for the 2010-11 year (2009-10 - $2,544).

(b) Investments

Investments consist of Bank and Trust Company Guaranteed Investment Certificates, Canada Savings Bonds, mortgages, life insurance, pre-arranged funerals, Registered Retirement Savings Plans/Income Funds, Registered Education Savings Plans and shares owned by estates at the dates of appointment of the Registrar. Such investments are recorded at face or market value, except for mortgages which are recorded at face value net of principal payments received.

1. Basis of accounting (cont.)

Significant accounting policies (cont.)

(c) Real estate and other assets

Real estate and other assets are recorded in these financial statements at an aggregate nominal value of $1 as valuation of these assets is not readily determinable. These assets are recorded in the client accounts at estimated market value for administrative purposes.

(d) Capital assets

Capital assets are charged to expenditure in the year of acquisition.

2. Estate/Trust Fund

The Registrar, in certain cases, is appointed by the Court as personal representative of the estates of deceased persons or as guardian of the trusts of minors and mentally disabled persons. The trust accounts of the Registrar include monies and other assets held on behalf of such estates/trusts.

3. Supreme Court Fund

The Supreme Court Fund consists mainly of monies received by the Registrar under, inter alia, the following Acts, and Rules and Regulations thereunder:

(a) *Automobile Insurance Act*
(b) *Consumer Protection and Business Practices Act*
(c) *Elections Act, 1991*
(d) *Expropriation Act*
(e) *Judicature Act*
(f) *Leaseholds in St. John's Act*
(g) *Life Insurance Act*
(h) *Municipalities Act, 1999*
(i) *Public Utilities Acquisition of Lands Act*
(j) *Real Estate Trading Act*
(k) *Residential Tenancies Act, 2000*

4. Administration Fund

The Administration Fund was established to record monies collected pursuant to the Rules of the Supreme Court of Newfoundland and Labrador. It is comprised primarily of a Special Reserve Fund consisting of interest earned in the Estate/Trust Fund and Supreme Court Fund in excess of that allocated to clients in accordance with Section 72(1) of the *Judicature Act*. Other monies flowing through the Administration Fund include commissions and unclaimed and undistributed amounts to be paid over to the Consolidated Revenue Fund, and Harmonized Sales Tax collected on commissions to be paid over to the Federal Government.

5. Investments

	2011	2010
Total investments held for all Funds is comprised of the following:		
Guaranteed Investment Certificates and Canada Savings Bonds	**$ 11,837,194**	$ 13,362,823
Mortgages	**139,860**	141,867
Life Insurance - cash surrender value	**78,704**	78,704
Pre-arranged funerals	**306,774**	299,227
Registered Retirement Savings Plans/Income Funds and Registered Education Savings Plans	**3,962,566**	3,744,528
Shares	**156,398**	157,154
	$ 16,481,496	$ 17,784,303

6. Related party transactions

Commissions earned and service fees are paid into the Province's Consolidated Revenue Fund.

7. Income taxes

The Registrar of the Supreme Court of Newfoundland and Labrador is an entity of the Crown and as such is not subject to Provincial or Federal income taxes.

8. Subsequent event

On 10 June 2011, the *Public Trustee Act, 2009* was proclaimed by Government and came into force. This *Act* dissolved the Estates Office of the Registrar of the Supreme Court and established the Office of the Public Trustee to continue the provision of Trust Fund management services. Estates and Trust funds related to Deceased Persons, Mentally Disabled Persons, and Minors as well as the Administration Fund were transferred to this new entity. The Supreme Court Fund was transferred to the Supreme Court for administration.

REGISTRAR OF THE SUPREME COURT

FINANCIAL STATEMENTS

10 JUNE 2011

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

To the Public Trustee
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Registrar of the Supreme Court, which comprise the statement of fund balances as at 10 June 2011 and the statements of changes in fund balance for the Estate/Trust Fund, Supreme Court Fund and Administration Fund for the period 1 April 2011 to 10 June 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting policies described in Note 1 to meet the information needs of the Office of the Public Trustee, the Chief Justice of the Trial Division of the Supreme Court of Newfoundland and Labrador, and the Government of Newfoundland and Labrador under Section 67 of the *Judicature Act*, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Auditor's Report (cont.)

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Registrar of the Supreme Court as at 10 June 2011, and the results of its operations for the period 1 April 2011 to 10 June 2011 in accordance with the accounting policies described in note 1 to these financial statements.

Report on Other Legal and Regulatory Requirements

These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information of the Office of the Public Trustee, the Chief Justice of the Trial Division of the Supreme Court of Newfoundland and Labrador, and the Government of Newfoundland and Labrador under section 67 of the *Judicature Act*. These financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose.

TERRY PADDON, CA
Auditor General

12 October 2012
St. John's, Newfoundland and Labrador

STATEMENT 1

REGISTRAR OF THE SUPREME COURT
STATEMENT OF FUND BALANCES
As at

	Estate/Trust Fund (Note 2)	Supreme Court Fund (Note 3)	Administration Fund (Note 4)	10 June 2011	31 March 2011
ASSETS					
Cash	$ -	$ -	$ -	$ -	$ 15,821,995
Investments	-	-	-	-	16,481,496
Irrevocable letters of credit and securities	-	-	-	-	462,618
Real estate and other assets (Note 1)	-	-	-	-	1
Total assets	$ -	$ -	$ -	$ -	$ 32,766,110
Total Fund balances	$ -	$ -	$ -	$ -	$ 32,766,110

See accompanying notes

Signed:
Public Trustee

REGISTRAR OF THE SUPREME COURT
STATEMENT OF CHANGES IN FUND BALANCE
ESTATE/TRUST FUND

For the Period	1 April 2011 - 10 June 2011	1 April 2010 - 31 March 2011
INCREASES		
Estate/trust assets received	$ 1,380,821	$ 5,485,525
Investment income	66,784	421,805
Pension, compensation and assistance	517,229	2,404,739
Revaluation of investments	-	135,601
Sale of chattels	6,000	235,027
Sale of real estate	824,754	2,974,753
	2,795,588	11,657,450
DECREASES		
Commissions charged and paid to Administration Fund	249,125	290,290
Estates/trusts completed	1,600,858	4,138,444
Estate/trust disbursements	910,776	5,988,296
Excess interest paid to Administration Fund	-	6,589
Harmonized sales tax paid to Administration Fund	31,320	38,419
Transfers to Public Trustee (Note 2)	26,455,338	-
Unclaimed estates paid to Administration Fund	-	62,443
	29,247,417	10,524,481
Net increase (decrease)	(26,451,829)	1,132,969
Fund balance, beginning of period	26,451,829	25,318,860
Fund balance, end of period	$ -	$ 26,451,829

See accompanying notes

STATEMENT 3

REGISTRAR OF THE SUPREME COURT
STATEMENT OF CHANGES IN FUND BALANCE
SUPREME COURT FUND

For the Period	1 April 2011 - 10 June 2011	1 April 2010 - 31 March 2011
INCREASES		
Court actions (Payments into Court)	$ 1,195,730	$ 1,746,834
Divorce fees	1,590	8,450
Fees	217,258	1,409,834
Fines and bail	755	51,905
Investment income	10,625	93,293
Law Society fees	2,550	12,321
	1,428,508	3,322,637
DECREASES		
Commissions charged and paid to Administration Fund	-	21,205
Court actions (Payments out of Court)	18,906	3,713,079
Divorce fees	-	10,010
Excess interest paid to Administration Fund	-	6,096
Fees paid to Consolidated Revenue Fund	14,690	1,395,794
Undistributed amounts paid to Administration Fund	-	183,546
Law Society fees	-	15,228
Transfers to Public Trustee (Note 3)	2,652,619	-
Transfers to Supreme Court (Note 3)	4,754,530	-
	7,440,745	5,344,958
Net decrease	(6,012,237)	(2,022,321)
Fund balance, beginning of period	6,012,237	8,034,558
Fund balance, end of period	$ -	$ 6,012,237

See accompanying notes

REGISTRAR OF THE SUPREME COURT
STATEMENT OF CHANGES IN FUND BALANCE
ADMINISTRATION FUND

For the Period	1 April 2011 - 10 June 2011	1 April 2010 - 31 March 2011
INCREASES		
Commissions received from other Funds	$ 249,125	$ 311,495
Excess interest received from other Funds	-	12,685
Harmonized sales tax received from other Funds	31,320	38,419
Public Trustee Conference	-	8,713
Unclaimed and undistributed amounts received from other Funds	-	245,989
	280,445	617,301
DECREASES		
Commissions paid to Consolidated Revenue Fund	-	311,495
Harmonized sales tax remitted to Federal Government	-	38,419
Office administration expenses paid from Special Reserve Fund	64	1,613
Public Trustee Conference	-	8,713
Professional fees	1,317	35,919
Transfers to Public Trustee (Note 4)	581,108	-
Unclaimed and undistributable amounts paid to Consolidated Revenue Fund	-	245,989
	582,489	642,148
Net decrease	(302,044)	(24,847)
Fund balance, beginning of period	302,044	326,891
Fund balance, end of period	$ -	$ 302,044

See accompanying notes

Authority

The Registrar of the Supreme Court (the Registrar) operates under the authority of the *Judicature Act*.

The Registrar administers estates of deceased persons when appointed personal representative by the Supreme Court of Newfoundland and Labrador and administers trusts of minors and mentally disabled persons when appointed guardian by the Court or by virtue of Section 20 of the *Mentally Disabled Persons' Estates Act*. The Registrar also has custody of monies paid to the Court in pending actions, as well as monies paid to the Court or to the Registrar under various statutes.

1. Basis of accounting

These financial statements have been prepared by the Office of the Public Trustee in accordance with the significant accounting policies set out below to meet the information needs of the Office of the Public Trustee, the Chief Justice of the Trial Division of the Supreme Court of Newfoundland and Labrador, and the Government of Newfoundland and Labrador under Section 67 of the *Judicature Act*. The basis of accounting used in these financial statements materially differs from Canadian generally accepted accounting principles because all receipts and disbursements are being recognized on a cash basis and not all expenditures related to the operations of the Registrar are reflected in these statements.

Summary of significant accounting policies

These financial statements are prepared on the cash basis of accounting. Outlined below are the significant accounting policies followed.

(a) Administrative expenditures

The Office of the Registrar, for administrative purposes, operates as a division of the Department of Justice. Therefore, expenditures related to salaries, accommodations and administration are absorbed by the Department of Justice and no provision has been made in these financial statements for the cost of these items. However, office administration expenditures paid from the Registrar's Special Reserve Fund under Section 72(2) of the *Judicature Act* are recorded in these financial statements in the amount of $64 for the period 1 April 2011 to 10 June 2011 (2010-11 - $1,613).

(b) Investments

Investments consist of Bank and Trust Company Guaranteed Investment Certificates, Canada Savings Bonds, mortgages, life insurance, pre-arranged funerals, Registered Retirement Savings Plans/Income Funds, Registered Education Savings Plans and shares owned by estates at the dates of appointment of the Registrar. Such investments are recorded at face or market value, except for mortgages which are recorded at face value net of principal payments received.

1. Basis of accounting (cont.)

Summary of significant accounting policies (cont.)

(c) Real estate and other assets

Real estate and other assets are recorded in these financial statements at an aggregate nominal value of $1 as valuation of these assets is not readily determinable. These assets are recorded in the client accounts at estimated market value for administrative purposes.

(d) Capital assets

Capital assets are charged to expenditure in the year of acquisition.

2. Estate/Trust Fund

The Registrar, in certain cases, is appointed by the Court as personal representative of the estates of deceased persons or as guardian of the trusts of minors and mentally disabled persons. The trust accounts of the Registrar include monies and other assets held on behalf of such estates/trusts.

On 10 June 2011, the balance of these monies ($26,455,338) were transferred to the Office of the Public Trustee with the enactment of the *Public Trustee Act, 2009* and the closure of the Registrar of the Supreme Court.

3. Supreme Court Fund

The Supreme Court Fund consists mainly of monies received by the Registrar under, inter alia, the following Acts, and Rules and Regulations thereunder:

(a) *Automobile Insurance Act*
(b) *Consumer Protection and Business Practices Act*
(c) *Elections Act, 1991*
(d) *Expropriation Act*
(e) *Judicature Act*
(f) *Leaseholds in St. John's Act*
(g) *Life Insurance Act*
(h) *Municipalities Act, 1999*
(i) *Public Utilities Acquisition of Lands Act*
(j) *Real Estate Trading Act*
(k) *Residential Tenancies Act, 2000*
(l) *Unified Family Court Act*

On 10 June 2011, the balance of Supreme Court monies not related to monies held in trust ($4,754,530) were transferred to the Supreme Court with the enactment of the *Public Trustee Act, 2009* and the closure of the Registrar of the Supreme Court. Monies held in trust in the Supreme Court Fund under Acts for which the Office of the Public Trustee assumed responsibility under the *Public Trustee Act, 2009* ($2,652,619) were transferred to the Office of the Public Trustee.

4. Administration Fund

The Administration Fund was established to record monies collected pursuant to the Rules of the Supreme Court of Newfoundland and Labrador. It is comprised primarily of a Special Reserve Fund consisting of interest earned in the Estate/Trust Fund and Supreme Court Fund in excess of that allocated to clients in accordance with Section 72(1) of the *Judicature Act*. Other monies flowing through the Administration Fund include commissions and unclaimed and undistributed amounts to be paid over to the Consolidated Revenue Fund, and Harmonized Sales Tax collected on commissions to be paid over to the Federal Government.

On 10 June 2011, the balance of the Administration Fund ($581,108) was transferred to the Office of the Public Trustee with the enactment of the *Public Trustee Act, 2009* and the closure of the Registrar of the Supreme Court.

5. Related party transactions

Commissions earned and service fees are paid into the Province's Consolidated Revenue Fund.

6. Income taxes

The Registrar of the Supreme Court of Newfoundland and Labrador is an entity of the Crown and as such is not subject to Provincial or Federal income taxes.

7. Transfers to the Public Trustee

Pursuant to the *Public Trustee Act, 2009* which was proclaimed into effect on 10 June 2011, the authority of the Registrar of the Supreme Court was transferred to the Public Trustee. As a result, funds were transferred between accounts in advance of the legislation, to ensure authority over the trust accounts would be maintained.

REGISTRAR OF THE SUPREME COURT
SUPREME COURT FUND

FINANCIAL STATEMENTS

31 MARCH 2012

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

To the Chief Administrative Officer
Supreme Court of Newfoundland and Labrador
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Registrar of the Supreme Court - Supreme Court Fund, which comprise the statement of fund balance as at 31 March 2012 and the statement of changes in fund balance for the Supreme Court Fund for the period 10 June 2011 to 31 March 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting policies described in Note 1 to meet the information needs of the Chief Administrative Officer of the Supreme Court of Newfoundland and Labrador, the Chief Justice of the Trial Division of the Supreme Court of Newfoundland and Labrador, and the Government of Newfoundland and Labrador under Section 67 of the *Judicature Act*, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Auditor's Report (cont.)

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Registrar of the Supreme Court - Supreme Court Fund as at 31 March 2012, and the results of its operations for the period 10 June 2011 to 31 March 2012 in accordance with the accounting policies described in note 1 to these financial statements.

Report on Other Legal and Regulatory Requirements

These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information of the Chief Administrative Officer of the Supreme Court of Newfoundland and Labrador, the Chief Justice of the Trial Division of the Supreme Court of Newfoundland and Labrador, and the Government of Newfoundland and Labrador under section 67 of the *Judicature Act*. These financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose.

TERRY PADDON, CA
Auditor General

1 November 2012
St. John's, Newfoundland and Labrador

REGISTRAR OF THE SUPREME COURT
SUPREME COURT FUND
STATEMENT OF FUND BALANCE
31 March 2012

ASSETS	
Cash	$ 5,644,985
Irrevocable letters of credit and securities	2,165,457
Total assets	**$ 7,810,442**
Total Fund balance	**$ 7,810,442**

See accompanying notes

Signed: Pamela Ryder
Chief Administrative Officer

REGISTRAR OF THE SUPREME COURT
SUPREME COURT FUND
STATEMENT OF CHANGES IN FUND BALANCE
For the Period 10 June 2011 to 31 March 2012

INCREASES	
Transfers from the Registrar of the Supreme Court	$ 4,754,530
Court actions (Payments into Court)	4,389,161
Divorce fees	7,355
Fees	1,135,841
Fines and bail	51,105
Investment income	37,487
Law Society fees	10,461
	10,385,940
DECREASES	
Court actions (Payments out of Court)	1,170,600
Divorce fees	9,030
Fees paid to Consolidated Revenue Fund	1,382,725
Law Society fees	13,143
	2,575,498
Net increase	7,810,442
Fund balance, beginning of period	-
Fund balance, end of period	$ 7,810,442

See accompanying notes

REGISTRAR OF THE SUPREME COURT
SUPREME COURT FUND
NOTES TO FINANCIAL STATEMENTS
31 March 2012

Authority

The Registrar of the Supreme Court - Supreme Court Fund operates under the authority of the *Judicature Act.*

The Registrar of the Supreme Court - Supreme Court Fund has custody of monies paid to the Court in pending actions, as well as monies paid to the Court under various statutes.

1. Basis of accounting

These financial statements have been prepared by the Chief Administrative Officer of the Supreme Court of Newfoundland and Labrador in accordance with the significant accounting policies set out below to meet the information needs of the Chief Administrative Officer of the Supreme Court of Newfoundland and Labrador, the Chief Justice of the Trial Division of the Supreme Court of Newfoundland and Labrador, and the Government of Newfoundland and Labrador under Section 67 of the *Judicature Act*. The basis of accounting used in these financial statements materially differs from Canadian generally accepted accounting principles because all receipts and disbursements are being recognized on a cash basis and not all expenditures related to the operations of the Registrar of the Supreme Court - Supreme Court Fund are reflected in these statements.

Significant accounting policies

These financial statements are prepared on the cash basis of accounting. Outlined below are the significant accounting policies followed.

(a) Administrative expenditures

The Registrar of the Supreme Court - Supreme Court Fund, for administrative purposes, is part of the operation of the Department of Justice. Therefore, expenditures related to salaries, accommodations and administration are absorbed by the Department of Justice and no provision has been made in these financial statements for the cost of these items.

(b) Irrevocable letters of credit and securities

The Registrar of the Supreme Court - Supreme Court Fund accepts irrevocable letters of credit and securities as payment into court in lieu of cash, as directed by a court order. These letters of credit are recorded at face value and can only be removed as directed by court order.

2. Supreme Court Fund

Supreme Court Fund consists mainly of monies received by the Registrar of the Supreme Court under, inter alia, the following Acts, and Rules and Regulations thereunder:

(a) *Automobile Insurance Act*
(b) *Consumer Protection and Business Practices Act*
(c) *Elections Act, 1991*
(d) *Expropriation Act*
(e) *Judicature Act*
(f) *Leaseholds in St. John's Act*
(g) *Life Insurance Act*
(h) *Municipalities Act, 1999*
(i) *Public Utilities Acquisition of Lands Act*
(j) *Real Estate Trading Act*
(k) *Residential Tenancies Act, 2000*
(l) *Unified Family Court Act*

Prior to 10 June 2011, the Supreme Court Fund was managed by the Estates Office. With the proclamation of the *Public Trustee Act, 2009*, the Estates Office was reorganized into the Office of the Public Trustee and control of the Supreme Court Fund was transferred directly to the Supreme Court of Newfoundland and Labrador.

3. Related party transactions

Commissions earned and service fees are paid into the Province's Consolidated Revenue Fund.

4. Income taxes

The Registrar of the Supreme Court - Supreme Court Fund is an entity of the Crown and as such is not subject to Provincial or Federal income taxes.

RESEARCH & DEVELOPMENT CORPORATION OF NEWFOUNDLAND AND LABRADOR

FINANCIAL STATEMENTS

MARCH 31, 2012

Management Certification

The accompanying financial statements of the Research & Development Corporation of Newfoundland and Labrador have been prepared by the Corporation's management in accordance with Canadian Public Sector Accounting Standards.

Management is responsible for the integrity and objectivity of the information contained in these financial statements, including the note disclosures. Some of the information in the financial statements is based on management's best estimate and judgment, and gives due consideration to materiality.

Management has developed and maintains a financial and management control system and practices designed to provide reasonable assurance that transactions are properly authorized, assets are safeguarded and liabilities are recognized.

Management is also responsible for ensuring that transactions comply with relevant policies and authorities and are properly recorded to produce timely and reliable financial information to maintain accountability of Research & Development Corporation funds.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and meets periodically with management to review and discuss the financial information. The Auditor General of Newfoundland and Labrador conducts an independent audit of the annual financial statements of the Corporation in accordance with Canadian auditing standards in order to express an opinion thereon. The Auditor General has full and free access to the financial management of the Corporation and meet when required.

Glenn Janes
Chief Executive Officer

Beverley Evans

Beverley Evans, CA
Chief Financial Officer

St. John's, Newfoundland and Labrador
June 18, 2012

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

To the Board of Directors
Research & Development Corporation
of Newfoundland and Labrador
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Research & Development Corporation of Newfoundland and Labrador which comprise the statement of financial position as at 31 March 2012, the statements of operations and accumulated surplus, change in net financial assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Auditor's Report (cont.)

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Research & Development Corporation of Newfoundland and Labrador as at 31 March 2012, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

TERRY PADDON, CA
Auditor General

St. John's, Newfoundland and Labrador
18 June 2012

RESEARCH & DEVELOPMENT CORPORATION OF NEWFOUNDLAND AND LABRADOR

STATEMENT OF FINANCIAL POSITION

As at

	March 31, 2012 $	March 31, 2011 $	April 1, 2010 $
		Restated (Note 2)	Restated (Note 2)
FINANCIAL ASSETS			
Cash	**30,873,318**	24,740,983	688,782
Other receivables	**132,443**	31,039	21,171
	31,005,761	24,772,022	709,953
LIABILITIES			
Accounts payable and accrued liabilities (Note 7)	**3,378,223**	3,494,133	254,352
	3,378,223	3,494,133	254,352
Net Financial Assets	**27,627,538**	21,277,889	455,601
NON-FINANCIAL ASSETS			
Tangible capital assets, net (Note 8)	**718,764**	355,300	311,468
Prepaid expenses	**15,110**	-	5,946
	733,874	355,300	317,414
Accumulated surplus	**28,361,412**	21,633,189	773,015

Contractual obligations (Note 9)

The accompanying notes are an integral part of these financial statements.

Signed on behalf of the Board: Director Director

RESEARCH & DEVELOPMENT CORPORATION OF NEWFOUNDLAND AND LABRADOR

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

For the year ended March 31

	2012 $	2012 $	2011 $
	Budget	Actual	Actual
	(Note 13)		Restated (Note 2)
REVENUE			
Government grants	25,220,500	25,226,262	30,413,614
Investment income	199,261	449,232	251,807
	25,419,761	25,675,494	30,665,421
EXPENSES			
Program grants	22,763,000	13,350,755	6,360,816
Salaries and benefits	3,512,511	3,349,080	2,179,751
Transportation and communications	330,000	196,219	128,959
Purchased services	1,728,950	853,525	503,908
Professional services	-	1,028,582	491,541
Amortization of tangible capital assets	307,299	169,110	140,272
	28,641,760	18,947,271	9,805,247
Annual (deficit) surplus	(3,221,999)	6,728,223	20,860,174
Accumulated surplus, beginning of year	13,594,659	21,633,189	773,015
Accumulated surplus, end of year	10,372,660	28,361,412	21,633,189

The accompanying notes are an integral part of these financial statements.

RESEARCH & DEVELOPMENT CORPORATION OF NEWFOUNDLAND AND LABRADOR

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

For the year ended March 31

	2012 $	2012 $	2011 $
	Budget	Actual	Actual
	(Note 13)		Restated (Note 2)
Annual (deficit) surplus	(3,221,999)	6,728,223	20,860,174
Acquisition of tangible capital assets	(325,639)	(532,574)	(184,104)
Amortization of tangible capital assets	307,299	169,110	140,272
	(18,340)	(363,464)	(43,832)
Acquisition of prepaid expenses	-	(224,296)	(166,860)
Use of prepaid expenses	-	209,186	172,806
	-	(15,110)	5,946
(Decrease) increase in net financial assets	(3,240,339)	6,349,649	20,822,288
Net financial assets, beginning of year	12,966,018	21,277,889	455,601
Net financial assets, end of year	9,725,679	27,627,538	21,277,889

The accompanying notes are an integral part of these financial statements.

RESEARCH & DEVELOPMENT CORPORATION OF NEWFOUNDLAND AND LABRADOR

STATEMENT OF CASH FLOWS

For the year ended March 31

	2012 $	2011 $
		Restated (Note 2)
OPERATING TRANSACTIONS		
Annual surplus	6,728,223	20,860,174
Non-cash item		
Amortization of tangible capital assets	169,110	140,272
Increase in other receivables	(101,404)	(9,868)
(Increase) decrease in prepaid expenses	(15,110)	5,946
(Decrease) increase in accounts payable and accrued liabilities	(115,910)	3,239,781
Cash provided by operating transactions	6,664,909	24,236,305
CAPITAL TRANSACTIONS		
Acquisition of tangible capital assets	(532,574)	(184,104)
Cash applied to capital transactions	(532,574)	(184,104)
Net increase in cash	6,132,335	24,052,201
Cash, beginning of year	24,740,983	688,782
Cash, end of year	30,873,318	24,740,983

The accompanying notes are an integral part of these financial statements.

1. Nature of operations

The Research & Development Corporation of Newfoundland and Labrador (the Corporation) was incorporated under the authority of the *Research and Development Council Act (*the *Act)* and is funded by the Province of Newfoundland and Labrador (the Province). The *Act* came into effect December 18, 2009. The objective of the Corporation is to strengthen the focus, quantity, quality, and relevance of research and development (R&D) undertaken within the Province and elsewhere for the long-term economic benefit of the Province.

The affairs of the Corporation are managed by a Board of Directors appointed by the Lieutenant-Governor in Council. The Corporation is a Crown entity of the Province and as such is not subject to Provincial or Federal income taxes.

2. Transition to Canadian public sector accounting standards

At its inception, the Corporation adopted Canadian generally accepted accounting principles ("CGAAP") for not for profit organizations. In accordance with recent recommendations of the Public Sector Accounting Board ("PSAB"), the Corporation has determined that it is an "other government organization" ("OGO") within the Government Reporting Entity and that Canadian Public Sector Accounting Standards ("CPSA Standards") is the most appropriate framework for reporting purposes. As a result, these are the first financial statements that the Corporation has prepared in accordance with CPSA Standards. The changeover became effective on April 1, 2011 with retroactive application to April 1, 2010.

a) Exceptions to retroactive application

The Corporation ensured that the estimates reflected in the opening statement of financial position prepared in accordance with CPSA Standards were consistent with those in the statement of financial position as at the same date prepared under CGAAP adjusted, as needed, for any difference in accounting policy. Estimates required under CPSA Standards that were not required under CGAAP reflect the conditions that existed at the opening statement of financial position date prepared in accordance with CPSA Standards.

b) Exemptions applied

In accordance with Section PS 2125, *First-time Adoption by Government Organizations,* the Corporation elected to apply the tangible capital asset impairment exemption. As a result, the Corporation prospectively applied, as of the transition date, the impairment criteria and conditions for tangible capital assets set out in Section PS 3150. The Corporation reviewed the first-time adoption standard and determined that no other exemptions were applicable.

2. Transition to Canadian public sector accounting standards (cont.)

In accordance with Section PS 2125, *First-time Adoption by Government Organizations*, the Corporation has prepared reconciliations to enable readers to understand the effects of the changeover on its comparative results and its financial position.

Statement of Operations reconciliation

The following table presents the reconciliation of the Statement of Operations from the previous reporting framework to the current method of presentation for the year ended March 31, 2011 (certain amounts have been reclassified to conform to the presentation adopted at March 31, 2012).

Statement of Operations	Notes	CGAAP March 31, 2011 $	Adjustments $	CPSA Standards March 31, 2011 $
REVENUE				
Government grants	i.	9,743,500	20,670,114	30,413,614
Investment income		251,807	-	251,807
Amortization of deferred capital contribution	ii.	54,786	(54,786)	-
		10,050,093	20,615,328	30,665,421
EXPENSES				
Program grants		6,360,816	-	6,360,816
Salaries and benefits	iv.	2,172,790	6,961	2,179,751
Professional services	iii.	433,447	58,094	491,541
Property	iii.	238,568	(238,568)	-
Office and computer equipment and supplies	iii.	162,687	(162,687)	-
Amortization of capital assets		140,272	-	140,272
Advertising, printing and promotion	iii.	95,630	(95,630)	-
Communications	iii.	93,867	(93,867)	-
Travel	iii.	86,034	(86,034)	-
Directors' fees	iii.	14,175	(14,175)	-
Transportation and communications	iii.	-	128,959	128,959
Purchased services	iii.	-	503,908	503,908
		9,798,286	6,961	9,805,247
Excess of revenue over expenses		251,807	20,608,367	20,860,174

2. Transition to Canadian public sector accounting standards (cont.)

Statement of Financial Position reconciliation

The following tables present the reconciliation of the Statement of Financial Position from the previous reporting framework to the current method of presentation at March 31, 2011 and at the transition date April 1, 2010 (certain amounts have been reclassified to conform to the presentation adopted at March 31, 2012).

Statement of Financial Position	Notes	CGAAP March 31, 2011 $	Adjustments $	CPSA Standards March 31, 2011 $
FINANCIAL ASSETS				
Cash		24,740,983	-	24,740,983
Other receivables		31,039	-	31,039
		24,772,022	-	24,772,022
LIABILITIES				
Accounts payable and accrued liabilities	iv.	3,439,929	54,204	3,494,133
Deferred revenue	i.	21,309,475	(21,309,475)	-
Deferred capital contributions	ii.	103,233	(103,233)	-
Accrued severance	iv.	22,878	(22,878)	-
		24,875,515	(21,381,382)	3,494,133
Net (debt) financial assets		(103,493)	21,381,382	21,277,889
NON-FINANCIAL ASSETS				
Tangible capital assets		355,300	-	355,300
		355,300	-	355,300
Accumulated surplus		251,807	21,381,382	21,633,189

2. Transition to Canadian public sector accounting standards (cont.)

Statement of Financial Position	Notes	CGAAP April 1, 2010 $	Adjustments $	CPSA Standards April 1, 2010 $
FINANCIAL ASSETS				
Cash		688,782	-	688,782
Other receivables		21,171	-	21,171
		709,953	-	709,953
LIABILITIES				
Accounts payable and accrued liabilities	iv.	213,887	40,465	254,352
Deferred revenue	i.	639,361	(639,361)	-
Deferred capital contributions	ii.	158,019	(158,019)	-
Accrued severance	iv.	16,100	(16,100)	-
		1,027,367	(773,015)	254,352
Net (debt) financial assets		(317,414)	773,015	455,601
NON-FINANCIAL ASSETS				
Tangible capital assets		311,468	-	311,468
Prepaid expenses		5,946	-	5,946
		317,414	-	317,414
Accumulated surplus		-	773,015	773,015

NOTES

i. Under CGAAP, government grants received by the Corporation to fund research and development programs in future periods were deferred in the statement of financial position and recognized through the statement of operations in the period in which related expenditures were incurred. Under CPSA Standards, government grants are recognized as revenue when authorized and any eligibility criteria have been met. As a result, the balance of deferred revenue at the date of transition was reviewed and it was determined that the entire balance should be recognized as revenue in accordance with the definition under CPSA Standards. Accordingly, an adjustment was made to retroactively apply the standard.

2. Transition to Canadian public sector accounting standards (cont.)

ii. Under CGAAP, tangible capital assets that were transferred to the Corporation from the Government of Newfoundland and Labrador were recorded as deferred capital contributions and amortized to income on a straight line basis using the same rates as the amortization expense related to the tangible capital assets. Under CPSA Standards, the transfer of tangible capital assets is considered a government transfer and the standards in PS 3410 *Government Transfers* apply. As a result, the balance of deferred capital contributions at the date of transition was reviewed and it was determined that the entire balance should be recognized as revenue in accordance with the definition under CPSA Standards. Accordingly, an adjustment was made to retroactively apply the standard.

iii. Certain comparative figures have been reclassified to conform to the financial statement classifications adopted in 2012.

iv. Under CGAAP, no provision was required for non-vested severance or accumulating non-vesting sick leave benefits. Under CPSA Standards the Corporation is required to recognize a liability and an expense for post employment benefits and compensated absences in the period in which employees render services. Accordingly, an adjustment was made to retroactively apply the standard. In addition, since the short-term and long-term distinction is not required under CPSA Standards on the face of the statement of financial position, the balance related to accrued severance and accumulating non-vesting sick leave benefits has been reclassified to accounts payable and accrued liabilities.

3. Changes in accounting standards: early adoption of released Handbook sections

The Corporation elected to early adopt the following CICA Public Sector Accounting Handbook section at the transition date.

Sections PS 3410 Revised, Government Transfers

Section PS 3410, *Government Transfers,* was amended by PSAB in December 2010. The main changes pertain to recognition criteria for government transfers, affecting how the Corporation accounts for such transfers. These amendments are effective for fiscal years beginning on or after April 1, 2012 and earlier adoption is encouraged. The Corporation decided to early adopt the section for the year ending March 31, 2012. The impact on prior years is as described in Note 2.i. and 2.ii. above. The impact of the change on the current year is an increase in government grants revenue recognized of $6,278,991.

4. Summary of significant accounting policies

These financial statements have been prepared by management in accordance with CPSA Standards which require management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. By their nature these estimates are subject to measurement uncertainty. The most significant items for which an estimate is used are the severance accrual and the useful life of tangible capital assets. The effect on the financial statements of changes in such estimates in future periods could be material and would be accounted for in the period the change occurs.

Basis of presentation

These financial statements include the accounts relating to the operations carried on under the name of the Corporation.

These financial statements have been prepared by the Corporation's management in accordance with CPSA Standards. As disclosed in Note 2, these standards have been applied retroactively except as noted. The changeover became effective on April 1, 2011 with retroactive application to April 1, 2010. As a result the comparative figures have been restated to reflect the new standards. The impact on the Corporation's operating surplus and the accumulated surplus of the Corporation is disclosed in Note 2.

Cash

Cash includes cash in bank.

Revenue recognition

The Corporation recognizes the receipt of government transfers as revenue in the period the transfer is authorized and all eligibility criteria have been met, except when and to the extent that the transfer gives rise to an obligation that meets the definition of a liability for the Corporation. Investment income is recognized as earned.

Expenses

The Corporation recognizes expenses on an accrual basis. The cost of all goods consumed and services received during the year is expensed. Program grants are recorded as expenses when they are authorized, eligibility criteria have been met by the recipient, and a reasonable estimate of the amount can be made.

4. Summary of significant accounting policies (cont.)

Tangible capital assets

Tangible capital assets are recorded at cost and amortized on a straight-line basis over their estimated useful lives using the following terms:

	Term
Furniture and equipment	5 years
Computer hardware and software	2 years
Network infrastructure	4 years
Enterprise resource package software	3 years
Leasehold improvements	Lease term + one renewal

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Corporation's ability to provide goods and services or when the value of future economic benefits associated with the tangible capital assets is less than their net book value. The net write downs are accounted for as expenses in the statement of operations.

Pension costs

Employees of the Corporation are covered by the Public Service Pension Plan administered by the Government of Newfoundland and Labrador or a self-directed RRSP. Contributions to each plan are required from the employees and are matched by the Corporation. The annual contributions for pensions are recognized during the year in which the services are rendered and represent the Corporation's total pension benefit obligation. The Public Service Pension Plan provides defined pension benefits to employees based on their length of service and rates of pay. The maximum contribution rate for eligible employees was 8.6% (2011 – 8.6%). The Corporation is not required to make contributions in respect of any actuarial deficiencies of the plan. Total pension expense for the Corporation at March 31, 2012 was $203,088 (March 31, 2011 - $131,872).

Severance benefits

Severance is accounted for on an accrual basis and is calculated based upon years of service and current salary levels. The right to be paid severance vests with employees with nine years of continual service and accordingly a liability has been recorded by the Corporation for these employees. For employees with less than nine years of continual service, the Corporation has made a provision in the accounts for the payment of severance which is based upon the Corporation's best estimate of the probability of having to pay severance to the employees and current salary levels. Employees with prior service with the Government of Newfoundland and Labrador or a Crown corporation or agency may be considered for severance provided the previous employer followed the same or equivalent severance policy. Severance is payable when the employee ceases employment with the Corporation provided no

4. Summary of significant accounting policies (cont.)

Severance benefits (cont.)

severance has been paid by Government or another Crown corporation or agency for the same period and the employee has at least nine years of continual service. No provision has been made for contractual employees.

Accumulating non-vesting sick leave benefits

The Corporation generally does not provide accumulating non-vesting sick leave benefits to its employees. However, a limited number of employees of the Corporation are entitled to receive accumulating non-vesting sick leave benefits due to their previous employment with the Government of Newfoundland and Labrador or a Crown corporation or agency. The Corporation has made a provision in the accounts for the payment of accumulating non-vesting sick leave benefits for these employees which is based upon the Corporation's best estimate of the probability of the employees utilizing the benefits and current salary levels. There is no further accumulation of these benefits and the availability of accumulating non-vesting sick leave benefits ceases upon termination of employment with the Corporation.

Other financial assets and liabilities

The Corporation's financial instruments are all recorded at cost. Financial assets consist of assets that could be used to settle existing liabilities or fund future activities, and include cash and accounts receivable. Financial liabilities consist of the Corporation's accounts payable and accrued liabilities. The carrying value of the Corporation's financial instruments approximates their fair value.

5. Accounting pronouncements

In March 2011, the PSAB approved new Section PS 3450, *Financial Instruments*, Section PS 2601 to replace current Section PS 2600, *Foreign Currency Translation* and Section PS 1201 to replace current Section PS 1200, *Financial Statement Presentation*. The three sections are effective on April 1, 2012 for government organizations but earlier adoption is permitted. Government organizations are required to adopt the three sections in the same year. The Corporation is still evaluating the impact of adopting these new sections in the coming year but the impact is not expected to be material.

6. Risk management

The Corporation's management recognizes the importance of managing significant risks and this includes policies, procedures and oversight designed to reduce the risks identified to an appropriate threshold. The Board of Directors is provided with timely and relevant reports on the management of significant risks. Significant risks currently managed by the Corporation include liquidity risk.

Liquidity risk

Liquidity risk is the risk that the Corporation will be unable to meet its contractual obligations and financial liabilities. The Corporation manages liquidity risk by monitoring its cash flows and ensuring that it has sufficient resources available to meet its obligations and liabilities.

7. Accounts payable and accrued liabilities

	March 31, 2012 **$**	March 31, 2011 $	April 1, 2010 $
Programs grants payable	**2,423,434**	2,821,773	-
Trade accounts payable & accruals	**880,068**	618,156	213,887
Accrued severance/sick leave benefits	**74,721**	54,204	40,465
	3,378,223	3,494,133	254,352

8. Tangible capital assets

	Leasehold Improvements $	Furniture & Equipment $	Computer Hardware & Software $	Network Infrastructure $	Enterprise Resource Package Software $	Total $
COST						
Balance, April 1, 2010	-	151,894	32,905	47,077	163,542	395,418
Additions	-	72,710	15,851	-	95,543	184,104
Balance, March 31, 2011	-	224,604	48,756	47,077	259,085	579,522
Additions	433,155	44,813	54,606	-	-	532,574
Balance, March 31, 2012	**433,155**	**269,417**	**103,362**	**47,077**	**259,085**	**1,112,096**
ACCUMULATED AMORTIZATION						
Balance, April 1, 2010	-	28,472	16,452	11,769	27,257	83,950
Amortization expense	-	37,649	20,416	11,769	70,438	140,272
Balance, March 31, 2011	-	66,121	36,868	23,538	97,695	224,222
Amortization expense	-	49,402	21,577	11,769	86,362	169,110
Balance, March 31, 2012	-	**115,523**	**58,445**	**35,307**	**184,057**	**393,332**
Net book value, March 31, 2012	**433,155**	**153,894**	**44,917**	**11,770**	**75,028**	**718,764**
Net book value, March 31, 2011	-	158,483	11,888	23,539	161,390	355,300

Leasehold improvements related to the Corporation's new premises were in progress at March 31, 2012. Amortization will commence once renovations are complete and the space is available for the Corporation's use.

9. Contractual obligations

The Corporation has outstanding contractual obligations under its various programs in respect of approved but not yet disbursed funds in the amount of $33,425,048. The Corporation has also entered into lease agreements for the rental of office space, a contract for the renovation of office space, and joint cost shared agreements totaling $4,685,989. Approximate payment of these obligations in future years is as follows:

	Programs $	Other $
2013	20,113,148	628,089
2014	8,651,853	442,680
2015	2,849,207	442,680
2016	1,376,292	442,680
2017	434,548	442,680
Thereafter	-	2,287,180
	33,425,048	4,685,989

10. Related party transactions

These financial statements include transactions with related parties. The Corporation is related, as a result of common ownership, to all Crown corporations and agencies of the Province.

During the year, the Corporation had the following related party transactions:

- Program grants expense to related parties of $11,654,188 (2011 - $5,354,612).
- Purchased supplies and services from related parties for $138,720 (2011 - $61,820).

11. Economic dependence

As a result of the Corporation's reliance on funding from the Government of Newfoundland and Labrador, the Corporation's ability to continue viable operations is dependent upon the decisions of the Province.

12. Credit facilities

Subject to the prior approval of the Lieutenant-Governor in Council and the Board, the Corporation may borrow money for purposes related to the attainment of its objectives as set out in the Act. At March 31, 2012, the Corporation had available a revolving credit facility of up to $1,000,000 bearing interest at prime, a letter of credit of up to $50,000 bearing interest at 1%, and VISA business card(s) with an aggregate limit of $50,000. At March 31, 2012, the credit facility, letter of credit, and the VISA business card(s) are inactive.

13. Budgeted figures

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the Province.

STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR

FINANCIAL STATEMENTS

31 MARCH 2012

Management's Report

Management's Responsibility for the Student Loan Corporation of Newfoundland and Labrador

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that transactions are properly authorized, assets are safeguarded and liabilities are recognized.

Management is also responsible for ensuring that transactions comply with relevant policies and authorities and are properly recorded to produce timely and reliable financial information.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Board. The Board reviews internal financial information on a periodic basis and external audited financial statements yearly.

The Auditor General conducts an independent audit of the annual financial statements of the Corporation, in accordance with Canadian generally accepted auditing standards, in order to express an opinion thereon. The Auditor General has full and free access to financial management of the Student Loan Corporation of Newfoundland and Labrador.

On behalf of the Student Loan Corporation of Newfoundland and Labrador.

Mr. David Pike
Director of Portfolio Management (A)

Angela Dyke
Ms. Angela Dyke
Manager of Financial Operations Reporting (A)

13 July 2012

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

To the Board of Directors
Student Loan Corporation of Newfoundland and Labrador
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Student Loan Corporation of Newfoundland and Labrador which comprise the statement of financial position as at 31 March 2012, the statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Auditor's Report (cont.)

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Student Loan Corporation of Newfoundland and Labrador as at 31 March 2012, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Sandra Russell

SANDRA RUSSELL, CA
Deputy Auditor General (A)

13 July 2012
St. John's, Newfoundland and Labrador

STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR
STATEMENT OF FINANCIAL POSITION

31 March	2012	2011
FINANCIAL ASSETS		
Cash	$ 6,768,247	$ 19,053,015
Due from government (Note 3)	531,513	399,241
Student loans receivable (Note 4)	118,428,817	132,233,057
	125,728,577	151,685,313
LIABILITIES		
Accounts payable and accrued liabilities (Note 5)	377,776	544,028
Employee future benefits (Note 6)	297,536	114,879
Due to government (Note 7)	60,606	33,282
Long-term debt (Note 8)	102,000,000	142,000,000
	102,735,918	142,692,189
Net financial assets	22,992,659	8,993,124
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 9)	74,199	97,269
Prepaid expense	-	2,010
	74,199	99,279
Accumulated surplus	**$ 23,066,858**	$ 9,092,403

The accompanying notes are an integral part of these financial statements.

Signed on behalf of the Board: Chairperson Director

STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
For the year ended 31 March

	2012 Budget	2012 Actual	2011 Actual
	(Note 13)		
REVENUES			
Provincial grant revenue	$ 30,675,000	$ 28,842,761	$ 7,148,383
Federal grant revenue	500,000	213,341	764
Recovery in value of student loan receivable	2,710,000	1,886,956	5,005,373
Interest revenue	400,000	193,412	209,661
Student loan interest	-	94,223	46,300
Other revenue	10,000	135,615	6,805
	34,295,000	31,366,308	12,417,286
EXPENSES			
Administrative fees	1,049,000	736,669	748,947
Amortization	30,000	28,806	31,661
Bank charges	-	11,477	11,916
Grant expense - Federal	500,000	213,341	764
Grant expense - Provincial	20,808,000	13,060,790	14,255,806
Interest expense on long-term debt	2,195,000	1,552,165	1,443,483
Interest relief expense	-	192,499	594
Operating expenses	297,500	122,696	105,680
Other expenses	1,000,000	30,000	-
Salaries	1,398,800	1,443,410	1,579,430
	27,278,300	17,391,853	18,178,281
Annual surplus (deficit)	7,016,700	13,974,455	(5,760,995)
Accumulated surplus, beginning of year	9,092,403	9,092,403	14,853,398
Accumulated surplus, end of year	$ 16,109,103	$ 23,066,858	$ 9,092,403

The accompanying notes are an integral part of these financial statements.

STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
For the year ended 31 March

	2012 Budget (Note 13)	2012 Actual	2011 Actual
Annual surplus (deficit)	$ 7,016,700	$ 13,974,455	$ (5,760,995)
Use of prepaid expense	-	2,010	852
Acquisition of tangible capital assets	(10,000)	(5,736)	(15,767)
Amortization of tangible capital assets	30,000	28,806	31,661
Increase (decrease) in net financial assets	7,036,700	13,999,535	(5,744,249)
Net financial assets, beginning of year	8,993,124	8,993,124	14,737,373
Net financial assets, end of year	$ 16,029,824	$ 22,992,659	$ 8,993,124

The accompanying notes are an integral part of these financial statements.

STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR
STATEMENT OF CASH FLOWS

For the year ended 31 March	2012	2011
Operating transactions		
Annual surplus (deficit)	$ 13,974,455	$ (5,760,995)
Adjustments for non-cash items		
Amortization	28,806	31,661
Recovery in value of student loan receivable	(1,886,956)	(5,005,373)
	12,116,305	(10,734,707)
Changes in non-cash operating items		
Due from government	(132,272)	129,944
Prepaid expense	2,010	852
Accounts payable and accrued liabilities	(166,252)	92,925
Due to government	27,324	-
Employee future benefits	182,657	40,764
Cash provided from (applied to) operating transactions	12,029,772	(10,470,222)
Capital transactions		
Acquisition of tangible capital assets	(5,736)	(15,767)
Cash applied to capital transactions	(5,736)	(15,767)
Financing transactions		
Long-term debt issued	102,000,000	-
Repayment of long-term debt	(142,000,000)	(14,000,000)
Repayment of obligations under capital lease	-	(2,898)
Cash applied to financing transactions	(40,000,000)	(14,002,898)
Investing transactions		
Student loans receivable (Note 4)	16,671,004	18,107,262
Student loans written off to allowance	(979,808)	(1,046,045)
Cash provided from investing transactions	15,691,196	17,061,217
Decrease in cash	(12,284,768)	(7,427,670)
Cash, beginning of year	19,053,015	26,480,685
Cash, end of year	$ 6,768,247	$ 19,053,015

The accompanying notes are an integral part of these financial statements.

1. Nature of operations

The Student Loan Corporation of Newfoundland and Labrador was established on 30 March 2004 under the authority of the *Student Financial Assistance Act*. The objective of the Corporation is to act as the lender for all Provincial student loans. The affairs of the Corporation are managed by a Board of Directors comprised of senior government officials.

The Corporation is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

2. Summary of significant accounting policies

(a) Basis of accounting

These financial statements are prepared by management in accordance with Canadian public sector accounting standards for provincial reporting entities established by the Canadian Public Sector Accounting Board.

(b) Employee future benefits

(i) The Corporation and its employees are subject to the *Public Service Pensions Act*. Employee contributions are matched by the Corporation and remitted to the Province of Newfoundland and Labrador Pooled Pension Fund from which pensions will be paid to employees when they retire. This plan is a defined benefit plan, providing a pension on retirement based on the member's age at retirement, length of service and highest earnings averaged over five years. The contribution of the Corporation to the plan is recorded as an expense for the year. The Corporation is not required to make contributions in respect of any actuarial deficiencies of the plan.

(ii) Severance is accounted for on an accrual basis and is calculated based upon years of service and current salary levels. The right to be paid severance vests with employees with nine years of continual service, and accordingly a liability has been recorded by the Corporation for these employees. For employees with less than nine years of continual service, the Corporation has made a provision in the accounts for the payment of severance which is based upon the Corporation's best estimate of the probability of having to pay severance to the employees and current salary levels. In determining the best estimate of the probability that employees would be paid severance, the Corporation considered the rate of employee turnover since its inception. Employees with prior service with the Government of Newfoundland and Labrador or a Crown corporation or agency may be considered for severance provided the previous employer followed the same or an equivalent severance policy. Severance is payable when the employee ceases employment with the Corporation provided no severance has been paid by Government or another Crown corporation or agency for the same period and the employee has at least nine years of continual service. No provision has been made for contractual employees.

2. Significant accounting policies (cont.)

(b) Employee future benefits (cont.)

(iii) The Corporation provides accumulating non-vesting sick leave benefits to certain employees. The Corporation has made a provision in the accounts for the payment of accumulating non-vesting sick leave benefits which is based upon the Corporation's best estimate of the probability of the employees utilizing the benefits and current salary levels. The availability of accumulating non-vesting sick leave benefits ceases upon termination of employment with the Corporation and no payment is made by the Corporation.

(c) Student loans receivable

The corporation records student loans receivable at amortized cost. When loans are identified as impaired, the Corporation records an allowance to reduce their carrying values to their estimated realizable amounts. Interest is accrued on loans receivable to the extent it is deemed collectible.

(d) Tangible capital assets

Tangible capital assets are recorded at cost, including amounts that are directly related to the acquisition of the assets.

The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over their estimated useful lives as follows:

Office equipment	10 years
Computer software	7 years
Computer hardware	4 years

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Corporation's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the statement of operations and accumulated surplus.

2. Significant accounting policies (cont.)

(e) Prepaid expenses

Prepaid expenses include software maintenance and are charged to operations over the period in which the Corporation is expected to benefit.

(f) Revenues

Revenues are recorded on an accrual basis in the period in which the transactions or events which gave rise to the revenues occurred. When accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable, revenues are recorded as received.

The Corporation recognizes the receipt of government transfers as revenue in the period the transfer is authorized and all eligibility criteria have been met, except when and to the extent that the transfer gives rise to an obligation that meets the definition of a liability.

(g) Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed, services received, and interest expense accrued during the year is expensed.

Program grants are recorded as expenses when they are authorized, eligibility criteria have been met by the recipient, and a reasonable estimate of the amount can be made.

(h) Measurement uncertainty

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of the revenues and expenses during the period. Items requiring the use of significant estimates include the useful life of a tangible capital assets, estimated employee benefits, rates for amortization and collectability of student loans received.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

3. Due from government

	2012	2011
Federal government	$ **296,134**	$ 168,465
Provincial government	**235,379**	230,776
	$ **531,513**	$ 399,241

4. Student loans receivable

The student loan portfolio consists of Provincial loans issued on or after 1 August 2000 and Provincial loans issued prior to that date where the student was still in school and did not receive additional loans.

As at 31 March 2012 approximately 19,494 loans totalling $72,331,682 (2011 - 20,391 loans totalling $84,279,502) were being repaid as non-interest bearing for the period 1 April 2011 to 31 March 2012 (Class B loans) while 8,139 loans totalling $31,315,297 (2011 - 8,597 loans totalling $33,876,134) were not being repaid as the students were either still in attendance at an approved education institution or were within six months after the end of the study period (Class A loans).

As at 31 March 2012 approximately 9,231 loans totalling $51,581,725 (2011 – 8,871 loans totalling $52,123,799) were defaulted. These loans are defined as Class B loans delinquent for 270 days (nine months). These loans were non-interest bearing for the period 1 April 2011 to 31 March 2012.

Student loans receivable consist of the following:

	2012	2011
Loans receivable		
Class A principal	$ **31,315,297**	$ 33,876,134
Class B principal	**72,331,682**	84,279,502
Loans defaulted	**51,581,725**	52,123,799
Interest receivable	**3,637,178**	5,257,451
	158,865,882	175,536,886
Less: allowance for doubtful accounts	**(40,437,065)**	(43,303,829)
	$ **118,428,817**	$ 132,233,057

The allowance for doubtful accounts represents the Corporation's best estimate of future probable losses with respect to loans receivable. The estimation of an appropriate allowance involves significant judgment. These financial statements represent management's best estimates based on available information.

4. Student loans receivable (cont.)

The net decrease in student loans receivable during the year consists of the following:

	2012	2011
Student loan interest	$ 94,223	$ 46,300
Interest relief	(192,499)	(594)
Student loan grants	(2,678,322)	(3,281,919)
Student loans disbursed	11,554,578	12,090,262
Student loan payments	(24,469,176)	(25,915,266)
Student loans written off	(979,808)	(1,046,045)
	$ (16,671,004)	$ (18,107,262)

5. Accounts payable and accrued liabilities

	2012	2011
Trade payables and accrued liabilities	$ 332,705	$ 391,424
Salaries and benefits payable	15,377	10,574
Accrued vacation pay	29,694	142,030
	$ 377,776	$ 544,028

6. Employee future benefits

	2012	2011
Vested severance benefits	$ 81,072	$ 114,879
Provision for non-vested severance benefits	57,367	-
Provision for accumulated non-vested sick leave	159,097	-
	$ 297,536	$ 114,879

7. Due to government

	2012	2011
Federal government	$ 10,000	$ 33,282
Provincial government	50,606	-
	$ 60,606	$ 33,282

8. Long-term debt

Long-term liabilities reported on the statement of financial position are comprised of the following:

	2012	2011
Issue of floating rate notes dated 2 October 2006 maturing 30 September 2011 and bearing interest at the 3-month Canadian Bankers' Acceptance rate less 2 basis points, payable quarterly.	$ -	$ 142,000,000
Issue of floating rate notes dated 30 September 2011 maturing 30 September 2021 and bearing interest at the 3-month Canadian Bankers' Acceptance rate less 10 basis points, payable quarterly	102,000,000	-
	$ 102,000,000	$ 142,000,000

On 2 October 2006, the Corporation repaid $206 million principal amount of floating rate notes by using available cash of $8 million to reduce the principal balance to $198 million, then arranging a new long-term borrowing to refinance this amount for a term of five years. The note payable was due on 30 September 2011, retiring the external Global Note. The Corporation signed a new floating note with the Crown to repay the outstanding principal and interest with terms as determined by the Debt Management Division of the Department of Finance. Principal payments to the debt, as determined by the Student Loan Corporation, and interest payments will be made quarterly, payable on 30 June, 30 September, 31 December and 31 March each year. The loan matures on 30 September 2021.

9. Tangible capital assets

	Office equipment	Computer software	Computer hardware	Total
Cost				
Balance, 31 March 2011	$ 54,958	$ 145,359	$ 22,404	$ 222,721
Additions	5,736	-	-	5,736
Balance, 31 March 2012	60,694	145,359	22,404	228,457
Accumulated amortization				
Balance, 31 March 2011	27,127	81,363	16,962	125,452
Amortization expense	3,609	20,096	5,101	28,806
Balance, 31 March 2012	30,736	101,459	22,063	154,258
Net book value, 31 March 2012	**$ 29,958**	**$ 43,900**	**$ 341**	**$ 74,199**
Net book value, 31 March 2011	$ 27,831	$ 63,996	$ 5,442	$ 97,269

10. Financial instruments

The Corporation's financial instruments recognized on the statement of financial position consist of cash, due from government, student loans receivable, accounts payable and accrued liabilities, employee future benefits, due to government and long-term debt. The carrying values of cash, due from government, accounts payable and accrued liabilities, employee future benefits and due to government approximate current fair value due to their nature and the short-term maturity or current market rate associated with these instruments and no further risk exists. Student loans receivable is carried at amortized cost as disclosed in Note 4. Long-term debt is at a floating rate determined by the 3-month Canadian Bankers' Acceptance rate less 10 basis points, maturing 30 September 2021. The Corporation may be subject to interest rate risk caused by changes in the interest rate.

Credit Risk

Credit risk is the risk of loss if a client cannot meet its obligations. The Corporation is exposed to credit risk with respect to its student loans receivable. The Corporation has policies and procedures for the monitoring and collection of its student loans receivable so as to mitigate potential credit losses. In addition, any estimated impairment of these loans has been provided for through an allowance for doubtful accounts, as disclosed in Note 4, and no further credit risk exists for these items.

11. Related party transactions

	2012	2011
Grants from the Province	$ 28,842,761	$ 7,148,383
	$ 28,842,761	$ 7,148,383

In addition to the above transactions, the Province holds the long-term debt of the Corporation totalling $102,000,000.

12. Comparative figures

Certain comparative figures have been reclassified to conform to current year's presentation.

13. Budgeted figures

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the Board of Directors.

THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR

FINANCIAL STATEMENTS

31 MARCH 2011

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

To the Chairperson and Members
The Rooms Corporation of
Newfoundland and Labrador
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of The Rooms Corporation of Newfoundland and Labrador which comprise the balance sheet as at 31 March 2011, the statement of revenues, expenses and surplus and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Auditor's Report (cont.)

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of The Rooms Corporation of Newfoundland and Labrador as at 31 March 2011, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

WAYNE R. LOVEYS, CMA
Auditor General (A)

30 March 2012
St. John's, Newfoundland and Labrador

THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR
BALANCE SHEET

31 March	2011	2010
ASSETS		
Current		
Cash and short-term investments	$ 1,660,254	$ 2,285,720
Accounts receivable (Note 2)	292,668	750,555
Inventory	99,313	51,193
	2,052,235	3,087,468
Restricted cash (Note 3)	5,259,780	4,141,208
Capital assets (Note 4 and Note 5)	3,249,731	2,248,403
	$ 10,561,746	$ 9,477,079
LIABILITIES AND SURPLUS		
Current		
Accounts payable and accrued liabilities	$ 692,437	$ 2,065,914
Accrued overtime and leave	262,340	253,652
Deferred capital contribution (Note 6)	3,117,343	2,265,134
Deferred revenue (Note 7)	5,007,503	3,416,669
	9,079,623	8,001,369
Severance pay liability	580,740	525,721
	9,660,363	8,527,090
Surplus	901,383	949,989
	$ 10,561,746	$ 9,477,079

Commitments (Note 10)

See accompanying notes

Signed on behalf of the Board of Directors: ______________________ Dave Baker ______________________

Chairperson **Member**

THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR
STATEMENT OF REVENUES, EXPENSES AND SURPLUS

For the Year Ended 31 March	2011	2010
REVENUES		
Province of Newfoundland and Labrador	$ 7,875,180	$ 7,831,576
Admissions revenue	427,444	426,325
Colonial Building Political History Interpretation Project (Note 9)	315,478	1,575,659
Gift shop sales	175,595	180,144
Federal Government	114,126	154,516
Donations	61,300	290,781
Interest revenue	47,541	10,905
External funding	16,525	6,426
	9,033,189	10,476,332
EXPENSES		
Advertising	258,719	241,870
Amortization expense	262,906	200,498
Appraisals and acquisitions	128,805	145,160
Building expenses	1,938,291	1,917,792
Colonial Building Political History Interpretation Project (Note 9)	303,126	1,499,644
Conference and registration fees	21,513	24,412
Core programming	715,444	581,655
Cost of gift shop sales	97,435	89,348
Meeting expenses	33,367	23,111
Office equipment and supplies	79,419	87,753
Professional services	252,234	497,024
Salaries and benefits	4,737,948	4,657,985
Telecommunications and courier	71,648	95,189
Travel	180,940	163,755
	9,081,795	10,225,196
Excess of revenues over expenses (expenses over revenues)	(48,606)	251,136
Surplus, beginning of year	949,989	698,853
Surplus, end of year	$ 901,383	$ 949,989

See accompanying notes

THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR
STATEMENT OF CASH FLOWS

For the Year Ended 31 March	2011	2010
Cash flows from operating activities		
Excess of revenues over expenses (expenses over revenues)	$ (48,606)	$ 251,136
Add non-cash items:		
Amortization expense	262,906	200,498
	214,300	451,634
Net change in non-cash working capital items	1,488,021	5,030,518
Increase in severance pay liability	55,019	102,911
	1,757,340	5,585,063
Cash flows from investing activities		
Purchase of capital assets	(1,264,234)	(1,799,930)
Net change in restricted cash	(1,118,572)	(2,421,894)
	(2,382,806)	(4,221,824)
Increase (decrease) in cash	(625,466)	1,363,239
Cash and short-term investments, beginning of year	2,285,720	922,481
Cash and short-term investments, end of year	$ 1,660,254	$ 2,285,720

See accompanying notes

Authority

The Rooms Corporation of Newfoundland and Labrador (the Corporation) was established as a corporation under the *Rooms Act* on 19 May 2005. In accordance with the *Rooms Act*, the Corporation assumed title to and has been vested with all of the rights, liabilities, assets and property of The Rooms Corporation of Newfoundland and Labrador Inc. established as a corporation under the *Corporations Act* on 18 November 2002. The Corporation was established to: collect, preserve, present and make available for research, historic artifacts, natural history specimens and archival records that represent and illustrate the significant history, culture and natural heritage of the Province; conduct research with respect to the history, natural history, culture and heritage of the Province; collect and present provincial, national and international contemporary and historic art; advance and promote the works of contemporary visual artists of the Province; support the development of cultural industries in the Province; strengthen the culture of the Province; and provide and enhance client services and partnerships to promote the cultural collections of the Province and to show other national and international collections. The Corporation is an agent of the Crown. The affairs of the Corporation are governed by a Board of Directors appointed by the Lieutenant-Governor in Council. The Rooms is located in St. John's, with regional facilities located in Grand Falls-Windsor (Mary March Provincial Museum and Loggers' Life Provincial Museum), Grand Bank (Provincial Seamen's Museum), and North West River (Labrador Interpretation Centre).

1. Summary of significant accounting policies

These financial statements have been prepared by the Corporation's management in accordance with Canadian generally accepted accounting principles. Outlined below are the significant accounting policies followed.

(a) Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

(b) Collections

The collections of art work, archival documents and historical and cultural artifacts form the largest part of the assets of the Corporation. These collections are not presented in the balance sheet due to the practical difficulties of determining a meaningful value for these assets. Objects purchased for one of the Corporation's collections are recorded as an expense in the year of acquisition. Objects donated to the Corporation are recorded with a zero value.

(c) Capital assets

Capital assets to which the Corporation has title are recorded at cost at the time of acquisition. Amortization is calculated on a straight line basis as follows:

Furniture and equipment - 7 years
Computer equipment and software - 3 years
Vehicles - 5 years
Building improvements - 7 to 20 years

Work in progress is considered to be a capital asset; however, it is not amortized as it is not yet available for use. Upon completion, these assets will be recorded in the appropriate category.

1. Significant accounting policies (cont.)

(d) Deferred revenue

The Corporation follows the deferral method with respect to externally restricted revenue.

(e) Deferred capital contribution

Contributions related to capital assets are deferred and amortized to revenue at the same rates which the related capital assets are amortized.

(f) Severance pay

Severance pay vests with employees after nine years of uninterrupted service and accordingly no provision has been made in these financial statements for employees who have less than nine years of uninterrupted service with the Province. Severance pay, at the rate of one week's pay for each year of service up to a maximum of twenty weeks pay, is payable when the employee ceases employment with the Province.

(g) Future Accounting Standards

In December 2010, the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants amended the introduction to Public Sector Accounting Standards effective for fiscal years beginning on or after 1 January 2011. As a result of this amendment the Corporation will now be required to prepare its financial statements in accordance with Public Sector Accounting Standards. The Office of the Comptroller General of the Province has assessed the Corporation as being a Government Not-For-Profit Organization. The Office of the Comptroller General has recommended that the Corporation implement the Public Sector Accounting Standards, without the standards specific to Government Not-For-Profit Organizations. While the Corporation has until fiscal years beginning on or after 1 January 2012 to adopt the standards, the Office of the Comptroller General has encouraged earlier adoption. The Corporation is planning for the transition to the Public Sector Accounting Standards on a retrospective basis for the year ending 31 March 2012.

2. Accounts receivable

	2011	2010
Province of Newfoundland and Labrador	$ -	$ 175,661
Harmonized sales tax	**144,916**	393,883
Government of Canada	**106,640**	167,641
Other	**41,112**	13,370
	$ 292,668	$ 750,555

3. Restricted cash

The following funds, which have external conditions on their use, have been received and deposited with the Corporation's general funds and are reported in these financial statements as restricted cash.

	2011	2010
Department of Tourism, Culture and Recreation		
- Regional Museums Improvement	$ 252,277	$ 721,191
- Colonial Building	2,888,656	1,804,134
Department of Education - Virtual Exhibits	-	30,310
Private Donor - Site Development	100,000	100,000
Private Donor - Social History Exhibit	700,000	400,000
Irish Newfoundland Partnership	-	65,000
Corporate Donor - 4th Floor	1,301,622	1,000,000
Permanent Collections Donations	15,625	15,625
Government of Canada - 4th Floor	-	3,348
Private Donor - B-17 Bomber Exhibit	1,600	1,600
	$ 5,259,780	$ 4,141,208

4. Capital assets

	2011			2010
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture and equipment	$ 977,297	$ 518,641	$ 458,656	$ 633,541
Computer equipment and software	256,440	256,440	-	-
Vehicles	82,473	74,225	8,248	24,742
Building improvements	1,030,532	62,324	968,208	49,524
Capital assets transferred to the Corporation (Note 5)	1	1	-	-
Work in progress	1,814,619	-	1,814,619	1,540,596
	$ 4,161,362	$ 911,631	$ 3,249,731	$ 2,248,403

These financial statements do not include the value of "The Rooms" building out of which the Provincial Archives, Art Gallery and Museum Divisions of the Corporation operate. Ownership of the building, which cost $49.3 million to construct, is held by the Minister of Transportation and Works on behalf of the Province. Ownership of buildings located throughout the Province which house regional museums are also held by the Minister of Transportation and Works on behalf of the Province.

5. Capital assets transferred to the Corporation

During 2003-04, The Rooms Corporation of Newfoundland and Labrador Inc. assumed title to the capital assets of the Provincial Archives, the Provincial Museum and the Art Gallery of Newfoundland and Labrador. These assets have now been transferred to the Corporation. The costs and accumulated amortization of these assets are unknown and a reasonable estimate of the amounts involved could not be determined. Therefore, the cost has been recorded as $1 and the accumulated amortization has been recorded at $1.

6. Deferred capital contribution

The following funds have been received by the Corporation for the acquisition or construction of capital assets. Recognition of revenue will occur in accordance with the Corporation's stated policy for deferred capital contributions.

	2011	2010
Deferred capital contribution - Provincial	**$ 1,875,474**	$ 1,899,214
Deferred capital contribution - Federal	**801,612**	365,920
Deferred capital contribution - Other	**440,257**	-
	$ 3,117,343	$ 2,265,134

7. Deferred revenue

The following funds have been received by the Corporation. Since the conditions relating to their use have not been met, recognition of the revenues has been deferred and the funds are recorded as restricted.

	2011	2010
Deferred revenue - Provincial	**$ 2,888,656**	$ 1,899,444
Deferred revenue - Other	**2,118,847**	1,517,225
	$ 5,007,503	$ 3,416,669

8. Related party transactions

(a) Province of Newfoundland and Labrador

The Corporation is a Crown Corporation of the Province of Newfoundand and Labrador reporting through the Minister of the Department of Tourism, Culture and Recreation. Expenses incurred by the Province, related to salaries and benefits totalling $4,547,906 (2010 - $4,408,430), are reflected in these financial statements as expenses of the Corporation and as revenue from the Province. Included in this total is $540,492 (2010 - $507,558), related to the employer's share of employee benefits, paid by the Department of Finance on behalf of the Corporation.

8. Related party transactions (cont.)

(a) Province of Newfoundland and Labrador (cont.)

The Province provides the Corporation with buildings and space, and related building services, for use as regional museums, storage and workshops in various locations throughout the Province at no cost to the Corporation. Information Technology services and legal services are also provided to the Corporation by the Province at no cost to the Corporation. The value of these spaces and the services provided is not readily determinable and therefore are not reflected in these financial statements.

(b) Memorial University of Newfoundland (MUN)

Certain employees who transferred to the Corporation from Memorial University of Newfoundland continue to have their payroll administered by MUN. MUN invoices the Corporation for actual costs incurred. Expenses related to salaries and benefits totalling $167,305 (2010 - $195,976) were invoiced by MUN during the year.

(c) The Rooms Foundation of Newfoundland and Labrador

The Rooms Foundation of Newfoundland and Labrador was incorporated on 11 March 2009 under the *Corporations Act*. It was incorporated in accordance with Section 8(7) of the *Rooms Act*. There were no transactions or other activity between 11 March 2009 and 31 March 2011.

9. Colonial Building Political History Interpretation Project

Under a Memorandum of Understanding between the Province and the Corporation signed on 31 March 2009, the Corporation will administer a Project to renovate the Colonial Building into a heritage interpretation centre/museum. As Project sponsor, the Corporation is responsible for administration of the Project. As title to and use of the Colonial Building remains with the Province, the Corporation does not capitalize the renovations to the Building. Rather the Corporation records expenses related to the Project as incurred and revenues in the amount equal to the expenses incurred plus an administration fee. The original Memorandum of Understanding was replaced by a new Memorandum of Understanding that was signed on 14 December 2011. Under the new Memorandum of Understanding, the Corporation will continue as Project sponsor until the Project's expected completion in Spring 2014. As of 31 March 2011, expenses totalling $2,036,874 have been incurred related to the Project.

9. Colonial Building Political History Interpretation Project (cont.)

On 1 December 2008, an Agreement (the Agreement) respecting a Project called "Colonial Building Political History Interpretation" was signed between the Corporation and the Government of Canada. The Agreement provided funding for the renovation of the Colonial Building in the maximum amount of $748,335. On 8 March 2010, the Agreement was amended to reduce the maximum contribution from the Government of Canada to $695,512. During the year, expenses of $303,126 (2010 - $1,499,644) were incurred related to the Project. The Corporation also recognized revenues of $315,478 (2010 - $1,575,659) related to the Project as follows:

	2011	2010
Provincial	$ **315,478**	$ 949,698
Federal	-	625,961
	$ **315,478**	$ 1,575,659

10. Commitments

(a) Facility Management Contract

The Corporation has entered into a facility management contract representing commitments of $200,000 for work that will be performed by 31 March 2012.

(b) Office rental

The Corporation has entered into an agreement requiring lease payments for office rental. Minimum lease payments for the next year are as follows:

2012	$7,088

11. Donor commitment

On 25 November 2009, a corporate donor entered into a three year agreement with the Corporation totalling $2.5 million for the development and construction of the Cultural Tapestry of Newfoundland and Labrador Exhibit. Of this amount $1.75 million has been received, with the remaining $750,000 to be received during the year ended 31 March 2012.

12. Pensions

Under the *Rooms Act*, the Corporation's staff are subject to the *Public Service Pensions Act*. The Province of Newfoundland and Labrador administers the payroll processing for the majority of the Corporation's staff. Employee contributions are matched by the Province, on behalf of the Corporation, and are remitted to the Province of Newfoundland and Labrador Pooled Pension Fund from which pensions will be paid to employees when they retire. The Corporation's share of pension contributions for 2011 was $263,411 (2010 - $256,884). This is included as Salaries and benefits and is also included in the revenue that the Corporation receives from the Province.

Certain employees who transferred to the Corporation from Memorial University of Newfoundland (MUN) continue to have their payroll administered by MUN, including pension benefits. MUN invoices the Corporation for the employer share of pension contributions which are then remitted to the Memorial University of Newfoundland Pension Fund from which pensions will be paid to employees when they retire. The Corporation's share of pension contributions related to these employees for 2011 was $11,160 (2010 - $11,784).

13. Financial instruments

The Corporation's financial instruments recognized on the balance sheet consist of cash and short-term investments, accounts receivable, and accounts payable and accrued liabilities. The carrying values of these instruments approximate current fair value due to their nature and the short-term maturity associated with them.

There is no credit risk associated with the Corporation's accounts receivable because the accounts are primarily due from the Federal government. Therefore, no allowance has been provided against these receivables.

14. Economic dependence

As a result of its reliance on future transfers from the Province of Newfoundland and Labrador to ultimately finance its costs of operations, the Corporation's ability to continue operations is dependent upon the decisions of Government.

15. Income taxes

The Corporation is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR

FINANCIAL STATEMENTS

31 MARCH 2012

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

To the Chairperson and Members
The Rooms Corporation of
  Newfoundland and Labrador
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of The Rooms Corporation of Newfoundland and Labrador which comprise the balance sheet as at 31 March 2012, the statement of revenues, expenses and surplus and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Auditor's Report (cont.)

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of The Rooms Corporation of Newfoundland and Labrador as at 31 March 2012, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

TERRY PADDON, CA
Auditor General

8 August 2012
St. John's, Newfoundland and Labrador

THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR

BALANCE SHEET

31 March	2012	2011
		(Restated) (Note 16)
ASSETS		
Current		
Cash and short-term investments	$ 1,827,358	$ 1,865,621
Accounts receivable (Note 2)	205,700	292,668
Inventory	120,888	99,313
	2,153,946	2,257,602
Restricted cash (Note 3)	7,448,396	5,054,413
Capital assets (Note 4 and Note 5)	4,038,399	3,455,098
	$ 13,640,741	$ 10,767,113
LIABILITIES AND SURPLUS		
Current		
Accounts payable and accrued liabilities	$ 735,182	$ 897,804
Long Term Liabilities		
Accrued overtime and leave	282,661	262,340
Deferred capital contribution (Note 6)	3,703,873	3,117,343
Deferred revenue (Note 7)	7,448,396	5,007,503
Severance pay liability	552,585	580,740
	11,987,515	8,967,926
	12,722,697	9,865,730
Surplus	918,044	901,383
	$ 13,640,741	$ 10,767,113

Commitments (Note 10)

See accompanying notes

Signed on behalf of the Board of Directors: ______________ **Chairperson** ______________ **Member**

THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR

STATEMENT OF REVENUES, EXPENSES AND SURPLUS

For the Year Ended 31 March	2012	2011
		(Restated) (Note 16)
REVENUES		
Province of Newfoundland and Labrador	**$ 8,072,305**	$ 7,851,440
Donated acquisitions	**1,157,305**	97,995
Colonial Building Political History Interpretation Project (Note 9)	**828,662**	315,478
Admissions	**438,380**	427,444
Amortization of deferred capital contribution	**113,104**	33,128
Gift shop sales	**233,130**	175,595
Federal Government	**110,301**	104,738
Donations	**95,216**	9,233
Corporate Sponsorship	**94,610**	48,567
Interest	**78,419**	47,541
External funding	**21,572**	3,500
Other	**12,045**	16,525
	11,255,049	9,131,184
EXPENSES		
Advertising	**292,668**	258,719
Amortization	**329,739**	262,906
Appraisals and acquisitions	**155,852**	135,325
Allowance for doubtful accounts	**8,675**	-
Building	**1,962,969**	1,939,310
Colonial Building Political History Interpretation Project (Note 9)	**758,662**	303,126
Conference and registration fees	**20,861**	21,513
Core programming	**569,188**	714,425
Cost of gift shop sales	**150,749**	97,435
Donated acquisitions	**1,157,305**	97,995
Meetings	**33,101**	33,367
Office equipment and supplies	**104,854**	79,419
Professional services	**241,467**	245,714
Salaries and benefits	**5,193,741**	4,737,948
Telecommunications and courier	**85,084**	71,648
Travel	**173,473**	180,940
	11,238,388	9,179,790
Excess of revenues over expenses (expenses over revenues)	**16,661**	(48,606)
Surplus, beginning of year	**901,383**	949,989
Surplus, end of year	**$ 918,044**	$ 901,383

See accompanying notes

THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR
STATEMENT OF CASH FLOWS

For the Year Ended 31 March	2012	2011
		(Restated) (Note 16)
Cash flows from operating activities		
Excess of revenues over expenses (expenses over revenues)	$ **16,661**	$ (48,606)
Adjustment for non-cash items		
Amortization	**329,739**	262,906
Amortization of deferred capital contribution	**(113,104)**	(33,128)
Allowance for doubtful accounts	**8,675**	-
	241,971	181,172
Change in non-cash working capital		
Decrease in accounts receivable	**78,293**	457,887
Increase in inventory	**(21,575)**	(48,120)
Decrease in accounts payable and accrued liabilities	**(162,622)**	(1,168,110)
	(105,904)	(758,343)
Increase in accrued overtime and leave	**20,321**	8,688
Increase in deferred capital contribution	**699,634**	885,337
Increase in deferred revenue	**2,440,893**	1,590,834
(Decrease) increase in severance pay liability	**(28,155)**	55,019
	3,268,760	1,962,707
Cash flows from investing activities		
Purchase of capital assets	**(913,040)**	(1,469,601)
Increase in restricted cash	**(2,393,983)**	(913,205)
	(3,307,023)	(2,382,806)
Decrease in cash	**(38,263)**	(420,099)
Cash and short-term investments, beginning of year	**1,865,621**	2,285,720
Cash and short-term investments, end of year	$ **1,827,358**	$ 1,865,621

See accompanying notes

Authority

The Rooms Corporation of Newfoundland and Labrador (the Corporation) was established as a corporation under the *Rooms Act* on 19 May 2005. In accordance with the *Rooms Act*, the Corporation assumed title to and has been vested with all of the rights, liabilities, assets and property of The Rooms Corporation of Newfoundland and Labrador Inc. established as a corporation under the *Corporations Act* on 18 November 2002. The Corporation was established to: collect, preserve, present and make available for research, historic artifacts, natural history specimens and archival records that represent and illustrate the significant history, culture and natural heritage of the Province; conduct research with respect to the history, natural history, culture and heritage of the Province; collect and present provincial, national and international contemporary and historic art; advance and promote the works of contemporary visual artists of the Province; support the development of cultural industries in the Province; strengthen the culture of the Province; and provide and enhance client services and partnerships to promote the cultural collections of the Province and to show other national and international collections. The Corporation is an agent of the Crown. The affairs of the Corporation are governed by a Board of Directors appointed by the Lieutenant-Governor in Council. The Rooms is located in St. John's, with regional facilities located in Grand Falls-Windsor (Mary March Provincial Museum and Loggers' Life Provincial Museum), Grand Bank (Provincial Seamen's Museum), and North West River (Labrador Interpretation Centre).

1. Summary of significant accounting policies

These financial statements have been prepared by the Corporation's management in accordance with Canadian generally accepted accounting principles. Outlined below are the significant accounting policies followed.

(a) Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

(b) Collections

The collections of art work, archival documents and historical and cultural artifacts form the largest part of the assets of the Corporation. These collections are not presented in the balance sheet due to the practical difficulties of determining a meaningful value for these assets. Gifted works of art and gifted artifacts donated to the Corporation are recorded as revenue at the fair market value of the gift based on appraisals by independent appraisers. The acquisition of both donated and purchased works of art and artifacts is expensed.

1. Significant accounting policies (cont.)

(c) Capital assets

Capital assets to which the Corporation has title are recorded at cost at the time of acquisition. Amortization is calculated on a straight line basis as follows:

Furniture and equipment - 7 years
Computer equipment and software - 3 years
Vehicles - 5 years
Building improvements - 7 to 20 years

Work in progress is considered to be a capital asset; however, it is not amortized as it is not yet available for use. Upon completion, these assets will be recorded in the appropriate category.

(d) Deferred revenue

The Corporation follows the deferral method with respect to externally restricted revenue.

(e) Deferred capital contribution

Contributions related to capital assets are deferred and amortized to revenue at the same rates which the related capital assets are amortized.

(f) Severance pay

Severance pay vests with employees after nine years of uninterrupted service and accordingly no provision has been made in these financial statements for employees who have less than nine years of uninterrupted service with the Province. Severance pay, at the rate of one week's pay for each year of service up to a maximum of twenty weeks pay, is payable when the employee ceases employment with the Province.

(g) Volunteers

During the year, volunteers contributed significant hours in support of the Corporation. Their activities include guided gallery and museum tours and a variety of programs that enrich the visitor's experience at the Corporation's facilities and its profile in the community. Due to the complexities involved in valuing these services, they have not been reflected in the financial statements.

1. Significant accounting policies (cont.)

(h) Use of estimates

In preparing the Corporation's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. Any variation between these estimates and actual amounts are not expected to materially affect reported results. This includes and is not limited to the useful lives of capital assets.

(i) Future Accounting Standards

In December 2010, the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants amended the introduction to Canadian Public Sector Accounting Standards effective for fiscal years beginning on or after 1 January 2011. As a result of this amendment, the Corporation will now be required to prepare its financial statements in accordance with Canadian Public Sector Accounting Standards. The Office of the Comptroller General of the Province has assessed the Corporation as being a Government Not-For-Profit Organization. The Office of the Comptroller General has recommended that the Corporation implement the Canadian Public Sector Accounting Standards, without the standards specific to Government Not-For-Profit Organizations. As a Government Not-For-Profit Organization, the Corporation has until fiscal years beginning on or after 1 January 2012 to adopt the standards. The Corporation is planning for the transition to the Canadian Public Sector Accounting Standards on a retrospective basis for the year ending 31 March 2013.

2. Accounts receivable

	2012	2011
Province of Newfoundland and Labrador	$ **29,312**	$ -
Harmonized sales tax	**124,928**	144,916
Government of Canada	-	106,640
Other	**60,135**	41,112
	214,375	292,668
Less: allowance for doubtful accounts	**8,675**	-
Net accounts receivable	$ **205,700**	$ 292,668

3. Restricted cash

The following funds, which have external conditions on their use, have been received and deposited with the Corporation's general funds and are reported in these financial statements as restricted cash.

	2012	2011
Department of Tourism, Culture and Recreation		
- Regional Museums Improvement	$ -	$ 46,910
- Colonial Building	4,907,895	2,888,656
Private Donor - Site Development	87,955	100,000
Private Donor - Programming	83,334	-
Private Donor - Social History Exhibit	1,000,000	700,000
Corporate Donor - 4th Floor	1,351,987	1,301,622
Permanent Collections Donations	15,625	15,625
Private Donor - B-17 Bomber Exhibit	1,600	1,600
	$ 7,448,396	$ 5,054,413

4. Capital assets

	2012			2011
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture and equipment	$ 985,810	$ 720,249	$ 265,561	$ 458,656
Computer equipment and software	275,965	259,694	16,271	-
Vehicles	82,473	82,473	-	8,248
Building improvements	2,380,628	178,953	2,201,675	968,208
Capital assets transferred to the Corporation (Note 5)	1	1	-	-
Work in progress	1,554,892	-	1,554,892	2,019,986
	$ 5,279,769	$ 1,241,370	$ 4,038,399	$ 3,455,098

These financial statements do not include the value of "The Rooms" building out of which the Provincial Archives, Art Gallery and Museum Divisions of the Corporation operate. Ownership of the building, which cost $49.3 million to construct, is held by the Minister of Transportation and Works on behalf of the Province. Ownership of buildings located throughout the Province which house regional museums are also held by the Minister of Transportation and Works on behalf of the Province.

5. Capital assets transferred to the Corporation

During 2003-04, The Rooms Corporation of Newfoundland and Labrador Inc. assumed title to the capital assets of the Provincial Archives, the Provincial Museum and the Art Gallery of Newfoundland and Labrador. These assets have been transferred to the Corporation. The costs and accumulated amortization of these assets are unknown and a reasonable estimate of the amounts involved could not be determined. Therefore, the cost has been recorded as $1 and the accumulated amortization has been recorded at $1.

6. Deferred capital contribution

The following funds have been received by the Corporation for the acquisition or construction of capital assets. Recognition of revenue will occur in accordance with the Corporation's stated policy for deferred capital contributions.

	2012	2011
Deferred capital contribution - Provincial	**$ 1,781,700**	$ 1,875,474
Deferred capital contribution - Federal	**782,281**	801,612
Deferred capital contribution - Other	**1,139,892**	440,257
	$ 3,703,873	$ 3,117,343

7. Deferred revenue

The following funds have been received by the Corporation. Since the conditions relating to their use have not been met, recognition of the revenues has been deferred and the funds are recorded as restricted.

	2012	2011
Deferred revenue - Provincial	**$ 4,907,895**	$ 2,888,656
Deferred revenue - Other	**2,540,501**	2,118,847
	$ 7,448,396	$ 5,007,503

8. Related party transactions

(a) Province of Newfoundland and Labrador

The Corporation is a Crown Corporation of the Province of Newfoundland and Labrador reporting through the Minister of the Department of Tourism, Culture and Recreation. Expenses incurred by the Province, related to salaries and benefits totaling $5,117,161 (2011 - $4,547,906), are reflected in these financial statements as expenses of the Corporation and as revenue from the Province. Included in this total is $630,741 (2012 - $540,492), related to the employer's share of employee benefits, paid by the Department of Finance on behalf of the Corporation.

8. Related party transactions (cont.)

(a) Province of Newfoundland and Labrador (cont.)

The Province provides the Corporation with buildings and space, and related building services, for use as regional museums, storage and workshops in various locations throughout the Province at no cost to the Corporation. Information Technology services and legal services are also provided to the Corporation by the Province at no cost to the Corporation. The value of these spaces and the services provided is not readily determinable and therefore are not reflected in these financial statements.

(b) Memorial University of Newfoundland (MUN)

Certain employees who transferred to the Corporation from Memorial University of Newfoundland continue to have their payroll administered by MUN. MUN invoices the Corporation for actual costs incurred. Expenses related to salaries and benefits totaling $141,948 (2011 - $167,305) were invoiced by MUN during the year.

(c) The Rooms Foundation of Newfoundland and Labrador

The Rooms Foundation of Newfoundland and Labrador was incorporated on 11 March 2009 under the *Corporations Act*. It was incorporated in accordance with Section 8(7) of the *Rooms Act*. There were no transactions or other activity between 11 March 2009 and 31 March 2012.

9. Colonial Building Political History Interpretation Project

Under a Memorandum of Understanding between the Province and the Corporation signed on 31 March 2009, the Corporation will administer a Project to renovate the Colonial Building into a heritage interpretation centre/museum. As Project sponsor, the Corporation is responsible for administration of the Project. As title to and use of the Colonial Building remains with the Province, the Corporation does not capitalize the renovations to the Building. Rather, the Corporation records expenses related to the Project as incurred and revenues in the amount equal to the expenses incurred plus an administration fee. The original Memorandum of Understanding was replaced by a new Memorandum of Understanding that was signed on 14 December 2011. Under the new Memorandum of Understanding, the Corporation will continue as Project sponsor until the Project's expected completion in Spring 2014. As of 31 March 2012, expenses totaling $2,795,536 have been incurred related to the Project.

On 1 December 2008, an Agreement (the Agreement) respecting a Project called "Colonial Building Political History Interpretation" was signed between the Corporation and the Government of Canada. The Agreement provided funding for the renovation of the Colonial Building in the maximum amount of $748,335. On 8 March 2010, the Agreement was amended to reduce the maximum contribution from the Government of Canada to $695,512. During the year, expenses of $758,662 (2011 - $303,126) were incurred related to the Project. The Corporation also recognized revenues of $828,662 (2011 - $315,478) related to the Project.

10. Commitments

(a) Facility Management Contract

The Corporation has entered into an annual facility management contract representing commitments of approximately $175,000 per month. The contract automatically renews every 30 September unless the Corporation provides notice of its intent to terminate the contract no less than sixty days prior to 30 September.

(b) Level 4 Development Contract

The Corporation has entered into an agreement for the interpretive planning, design, fabrication and installation for two exhibitions on Level 4 of The Rooms. The total contract value is $2,200,000 and the work is to be substantially completed by June 2013. Of this total amount, $168,600 has been expended to 31 March 2012.

11. Donor commitment

An anonymous donor has pledged the amount of $ 1,000,000 for the purpose of development of The Rooms site. This amount has not been recognized in the financial statements as at 31March 2012 and will be recognized as and when the funds are received.

12. Pensions

Under the *Rooms Act*, the Corporation's staff are subject to the *Public Service Pensions Act*. The Province of Newfoundland and Labrador administers the payroll processing for the majority of the Corporation's staff. Employee contributions are matched by the Province, on behalf of the Corporation, and are remitted to the Province of Newfoundland and Labrador Pooled Pension Fund from which pensions will be paid to employees when they retire. The Corporation's share of pension contributions for 2012 was $306,475 (2011 - $263,411). This is included as Salaries and benefits and is also included in the revenue that the Corporation receives from the Province.

Certain employees who transferred to the Corporation from Memorial University of Newfoundland (MUN) continue to have their payroll administered by MUN, including pension benefits. MUN invoices the Corporation for the employer share of pension contributions which are then remitted to the Memorial University of Newfoundland Pension Fund from which pensions will be paid to employees when they retire. The Corporation's share of pension contributions related to these employees for 2012 was $9,779 (2011 - $11,160).

13. Financial instruments

The Corporation's financial instruments recognized on the balance sheet consist of cash and short-term investments, accounts receivable, and accounts payable and accrued liabilities. The carrying values of these instruments approximate current fair value due to their nature and the short-term maturity associated with them. Any estimated impairment of accounts receivable has been provided for through an allowance for doubtful accounts and no further credit risk exists in relation to these receivables.

14. Economic dependence

As a result of its reliance on future transfers from the Province of Newfoundland and Labrador to ultimately finance its costs of operations, the Corporation's ability to continue operations is dependent upon the decisions of Government.

15. Income taxes

The Corporation is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes under Section 149 (1) (d) of the *Income Tax Act*.

16. Correction of a prior period error

An amount of $205,367 was incorrectly omitted from both work in progress and accounts payable and accrued liabilities as at 31 March 2011. The prior year financial statements have been restated to correct this error. The effect of this error was to increase work in progress and increase accounts payable and accrued liabilities by $205,367 as at 31 March 2011. In addition, an amount of $205,367 was reallocated from restricted cash to cash for the year ended 31 March 2011. There is no effect in 2012.

17. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

Deloitte.

Financial Statements of

TRINITY-CONCEPTION-PLACENTIA HEALTH FOUNDATION INC.

March 31, 2011

Deloitte.

Deloitte & Touche LLP
10 Factory Lane
Fort William Building
St. John's NL A1C 6H5
Canada

Tel: (709) 576-8480
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Independent Auditor's Report

To the Board of Directors of
Trinity-Conception-Placentia Health Foundation Inc.

We have audited the accompanying financial statements of Trinity-Conception-Placentia Health Foundation Inc. (the "Foundation") which comprise the statement of financial position as at March 31, 2011, and the statements of operations and changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

The Foundation derives revenue from the general public in the form of donations and other fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenditures, assets and net assets.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Trinity-Conception-Placentia Health Foundation Inc. as at March 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
September 21, 2011

TRINITY-CONCEPTION-PLACENTIA HEALTH FOUNDATION INC.

Statement of Operations and Changes in Net Assets

Year ended March 31, 2011

	2011	2010
	$	$
Revenue		
Fundraising programs		
Donations	**425,706**	391,996
50/50 lottery	**42,632**	43,162
In-kind donations	**15,263**	28,760
	483,601	463,918
Interest	**4,536**	2,986
SEED grant	**18,550**	27,414
	506,687	494,318
Expenditures		
Donations to Eastern Regional Health Authority	**161,578**	113,487
Salaries and benefits	**120,242**	103,384
Fundraising projects	**71,076**	93,977
Contribution to SEED students	**18,550**	27,414
Travel	**11,920**	10,761
Office supplies and postage	**6,243**	348
Other	**5,996**	13,625
Interest and bank charges	**4,833**	4,387
	400,438	367,383
Excess of revenue over expenditures	**106,249**	126,935
Net assets, beginning of year	**260,650**	133,715
Net assets, end of year	**366,899**	260,650

TRINITY-CONCEPTION-PLACENTIA HEALTH FOUNDATION INC.

Statement of Financial Position

March 31, 2011

	2011	2010
	$	$
Assets		
Current assets		
Cash and cash equivalents	579,272	368,795
Accounts receivable	3,144	5,984
	582,416	374,779
Land held for resale	48,500	48,500
	630,916	423,279
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	96,462	114,548
Due to Eastern Regional Health Authority	140,404	22,287
Accrued severance pay	27,151	25,794
	264,017	162,629
Net assets		
Net assets	366,899	260,650
	630,916	423,279

Approved on behalf of the Board:

Director   Director

TRINITY-CONCEPTION-PLACENTIA HEALTH FOUNDATION INC.

Statement of Cash Flows

Year ended March 31, 2011

	2011	2010
	$	$
Operating activities		
Excess of revenue over expenditures	**106,249**	126,935
Adjustments for:		
Increase in accrued severance pay	**1,357**	1,358
	107,606	128,293
Changes in non-cash operating working capital:		
Short-term investment	-	38,632
Accounts receivable	**2,840**	432
Accounts payable and accrued liabilities	**(18,086)**	(35,986)
Due to Eastern Regional Health Authority	**118,117**	(345,125)
Net change in cash and cash equivalents	**210,477**	(213,754)
Cash and cash equivalents, beginning of year	**368,795**	582,549
Cash and cash equivalents, end of year	**579,272**	368,795
Supplemental disclosure of cash flow information:		
Interest paid	**4,833**	4,387

1. NATURE OF OPERATIONS

Trinity-Conception-Placentia Health Foundation Inc. is a not-for-profit organization which raises funds for Eastern Regional Health Authority and is incorporated under the Corporations Act of Newfoundland and Labrador.

As a not-for-profit organization, the Foundation is exempt from income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

The Foundation has elected to use the exemption provided by the Canadian Institute of Chartered Accountants ("CICA") permitting not-for-profit organizations not to apply Sections 3862 and 3863 of the CICA Handbook which would otherwise have applied to the financial statements of the Foundation for the year ended March 31, 2011. The Foundation applies the requirements of Section 3861 of the CICA Handbook.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations, the more significant of which are as follows:

Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks.

Revenue recognition

Donations and fundraising revenues are recorded when received. Other revenues are recognized as earned and when collection is reasonably assured.

Contributed materials and services

Contributed materials and services are recognized as in kind donations revenue when the fair value of the assets can be reasonably estimated, when the materials and services are used in the normal course of the Foundation's operations, and would otherwise have been purchased.

Land held for resale

The land held for resale has been recorded at its appraised value at the date of contribution.

Accrued vacation pay

Vacation pay is accrued for all employees as entitlement to these payments is earned.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accrued severance pay

Severance pay is accounted for on an accrual basis and is calculated based upon years of service and current salary levels for employees who have a vested right to receive such a payment. No provision for severance pay liability is recorded for any employee who does not have a vested right to the payment. The amount is payable when the employee ceases employment with the Foundation.

Pension costs

Employees of the Foundation are members of the Public Service Pension Plan and the Government Money Purchase Plan administered by the Government of Newfoundland and Labrador. Contributions to the plans are required from both the employees and the Foundation. The annual contributions for pensions are recognized as a current expenditure and amounted to $7,402 for the year ended March 31, 2011 (2010 - $6,753).

Financial instruments

Financial assets and liabilities are generally classified and measured as follows:

Asset/Liability	Classification	Measurement
Cash and cash equivalents	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Due to Eastern Regional Health Authority	Other liabilities	Amortized cost
Accrued severance pay	Other liabilities	Amortized cost

Other balance sheet accounts do not meet the criteria to be considered financial instruments.

The Foundation has determined that it does not have derivatives or embedded derivatives.

Use of accounting estimates

In preparing the Foundation's financial statements in conformity with Canadian generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as at the date of the financial statements, and reported amounts of revenue and expenditures during the year. Actual results could differ from those estimates.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

New accounting framework

The CICA has issued a new accounting framework applicable to Canadian not-for-profit organizations. Effective for fiscal years beginning on January 1, 2012, not-for-profit organizations will have to choose between International Financial Reporting Standards ("IFRS") and the accounting standards for not-for-profit organizations with accounting standards for private enterprises as the underlying framework, whichever suits them best. The Foundation currently plans to adopt the new accounting standards for not-for-profit organizations for its fiscal year beginning on April 1, 2012. The impact of this transition has not yet been determined.

3. COMMITMENTS

As at March 31, 2011, the Foundation has committed to provide contributions of $225,308 to Eastern Regional Health Authority for capital equipment.

4. RELATED PARTY TRANSACTIONS

The Foundation operates for the purpose of accumulating funds to assist Eastern Regional Health Authority with the purchase of medical equipment for patient care. Transactions between these related parties are measured at their exchange value.

5. CAPITAL MANAGEMENT

The capital structure of the Foundation consists of net assets. The Foundation's objective when managing capital is to ensure it maintains adequate capital to support its continued operations.

The Foundation is not subject to externally imposed capital requirements.

6. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial risk factors

The Foundation has exposure to credit risk and liquidity risk. The Foundation's Board of Directors has overall responsibility for the oversight of these risks and reviews the Foundation's policies on an ongoing basis to ensure that these risks are appropriately managed. The sources of risk exposure and how each is managed are outlined below.

6. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligation. The Foundation's credit risk is primarily attributable to accounts receivable and cash and cash equivalents. Management believes that the credit risk with respect to accounts receivable is not material. The Foundation's cash equivalents are distributed among bank accounts. The Foundation does not expect any liquidity or credit losses.

Liquidity risk

Liquidity risk is the risk that the Foundation will not be able to meet its financial obligations as they become due. As at March 31, 2011 the Foundation had cash and cash equivalents of $579,272.

Fair value

The fair value of the Foundation's financial instruments with the exception of the amount due to Eastern Regional Health Authority, approximates their carrying values due to the short-term maturity and normal credit terms of those instruments. The amount due to Eastern Regional Health Authority is non-interest bearing with no set repayment terms.

Financial Statements

Trinity-Conception-Placentia Health Foundation Inc.

March 31, 2012

ERNST & YOUNG

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Trinity-Conception-Placentia Health Foundation Inc.

We have audited the accompanying financial statements of **Trinity-Conception-Placentia Health Foundation Inc.** [the "Foundation"], which comprise the statement of financial position as at March 31, 2012 and the statements of operations and changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for qualified opinion

The Foundation derives revenue from the general public in the form of donations and other fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenditures, assets and net assets.

Qualified opinion

In our opinion, except for the possible effects of the matter described in the Basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of **Trinity-Conception-Placentia Health Foundation Inc.** as at March 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Other matter

The financial statements as at March 31, 2011 and for the year then ended were audited by other auditors who expressed a qualified opinion on those statements in their report dated September 21, 2011.

Ernst & Young LLP

St. John's, Canada
July 30, 2012

Chartered Accountants

Trinity-Conception-Placentia Health Foundation Inc.

STATEMENT OF FINANCIAL POSITION

As at March 31

	2012 $	2011 $
ASSETS		
Current		
Cash and cash equivalents	**680,670**	579,272
Accounts receivable	**2,997**	3,144
Total current assets	**683,667**	582,416
Land held for sale	**48,500**	48,500
	732,167	630,916
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities	**90,880**	96,462
Total current liabilities	**90,880**	96,462
Due to Eastern Regional Health Authority *[note 4]*	**159,939**	140,404
Accrued severance pay	**28,861**	27,151
	279,680	264,017
Net assets		
Unrestricted net assets	**452,487**	366,899
	732,167	630,916

Commitments *[note 4]*

See accompanying notes

Approved on behalf of the Board:

Director

Doris Murphy
Director

Trinity-Conception-Placentia Health Foundation Inc.

STATEMENT OF OPERATIONS AND AND CHANGES IN NET ASSETS

Year ended March 31

	2012 $	2011 $
REVENUE		
Fundraising programs		
Donations	**485,858**	425,706
50/50 lottery	**54,698**	42,632
In-kind donations	**22,827**	15,263
Interest	**6,371**	4,536
SEED grant	**5,429**	18,550
	575,183	506,687
EXPENDITURES		
Donations to Eastern Regional Health Authority	**228,886**	161,578
Salaries and benefits	**137,941**	120,242
Fundraising projects	**88,397**	71,076
Travel	**12,039**	11,920
Other	**8,507**	5,996
Contribution to SEED students	**5,429**	18,550
Office supplies and postage	**4,381**	6,243
Interest and bank charges	**4,015**	4,833
	489,595	400,438
Excess of revenue over expenditures	**85,588**	106,249
Unrestricted net assets, beginning of year	**366,899**	260,650
Unrestricted net assets, end of year	**452,487**	366,899

See accompanying notes

Trinity-Conception-Placentia Health Foundation Inc.

STATEMENT OF CASH FLOWS

Year ended March 31

	2012 $	2011 $
OPERATING ACTIVITIES		
Excess of revenue over expenditures	**85,588**	106,249
Adjustments for:		
Increase in accrued severance pay	**1,710**	1,357
	87,298	107,606
Changes in non-cash working capital:		
Accounts receivable	**147**	2,840
Accounts payable and accrued liabilities	**(5,582)**	(18,086)
Due to Eastern Regional Health Authority	**19,535**	118,117
	101,398	210,477
Increase in cash and cash equivalents	**101,398**	210,477
Cash and cash equivalents, beginning of year	**579,272**	368,795
Cash and cash equivalents, end of year	**680,670**	579,272

See accompanying notes

Trinity-Conception-Placentia Health Foundation Inc.

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2012

1. NATURE OF OPERATIONS

Trinity-Conception-Placentia Health Foundation Inc. [the "Foundation"] is a not-for-profit organization which raises funds for the Eastern Regional Health Authority and is incorporated under the Corporations Act of Newfoundland and Labrador.

As a not-for-profit organization, the Foundation is exempt from income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

The Foundation has elected to use the exemption provided by the Canadian Institute of Chartered Accountants ["CICA"] permitting not-for-profit organizations not to apply Sections 3862 and 3863 of the CICA Handbook which would otherwise have applied to the financial statements of the Foundation for the year ended March 31, 2010. The Foundation applies the requirements of Section 3861 of the CICA Handbook.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations, the more significant of which are as follows:

Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks.

Revenue recognition

Donations and other revenues are recognized as earned and when collection is reasonably assured.

Contributed materials and services

Contributed materials and services are recognized as in-kind donations revenue when the fair value of the assets can be reasonably estimated and when the materials and services are used in the normal course of the Foundation's operations and would otherwise have been purchased.

Land held for resale

The land held for resale has been recorded in the financial statements at its appraised value at the date of contribution.

Accrued vacation pay

Vacation pay is accrued for all employees as entitlement to these payments is earned.

Accrued severance pay

Severance pay is accounted for on an accrual basis and is calculated based upon years of service and current salary levels for employees who have a vested right to receive such a payment. No provision for severance pay liability is recorded for any employee who does not have a vested right to the payment. The amount is payable when the employee ceases employment with the Foundation.

Pension costs

Employees of the Foundation are members of the Public Service Pension Plan and the Government Money Purchase Plan [the "Plans"] administered by the Government of Newfoundland and Labrador. Contributions to the Plans are required from both the employees and the Foundation. The annual contributions for pensions are recognized as an expenditure in the accounts on a current basis and amounted to $7,540 for the year ended March 31, 2012 [2011 – $7,402].

Financial instruments

Financial assets and liabilities are generally classified and measured as follows:

Asset/Liability	Classification	Measurement
Cash and cash equivalents	Held-for-trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Due to Eastern Regional Health Authority	Other financial liabilities	Amortized cost

Other statement of financial position accounts do not meet the criteria to be considered financial instruments.

The Foundation has determined that it does not have derivatives or embedded derivatives.

Use of accounting estimates

In preparing the Foundation's financial statements in conformity with Canadian generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as at the date of the financial statements, and the reported amounts of revenue and expenditures during the year. Actual results could differ from those estimates.

Trinity-Conception-Placentia Health Foundation Inc.

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2012

3. CHANGES IN ACCOUNTING POLICY

In December 2009, the Public Sector Accounting Board approved an amendment to the Introduction to Public Sector Accounting Standards that eliminates the category of government business-type organizations, resulting in the need to reclassify these entities as either government not-for-profit organizations ["GNFPO"] or other government organizations.

The Foundation considers itself to be a GNFPO and therefore will be required to follow Public Sector Accounting Standards ["PSAS"].

Effective April 1, 2012, the Foundation will adopt PSAS and must report under the new standards for its financial statements for the year ended March 31, 2013, including comparative figures. Management is currently finalizing the impact of the adoption of these standards and the adjustments on transition date as at April 1, 2011.

4. COMMITMENTS

The Foundation has commitments to the Eastern Regional Health Authority to provide contributions of $272,000 for capital equipment purchases as at March 31, 2012.

5. RELATED PARTY TRANSACTIONS

The Foundation operates for the purpose of accumulating funds to assist Eastern Regional Health Authority with the purchase of medical equipment used in the provision of patient care. Transactions between these related parties are measured at their exchange value.

6. CAPITAL MANAGEMENT

The capital structure of the Foundation consists of net assets. The Foundation's objective when managing capital is to ensure it maintains adequate capital to support its continued operations.

The Foundation is not subject to externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2012

7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial risk factors

The Foundation has exposure to credit risk and liquidity risk. The Foundation's Board of Directors has overall responsibility for the oversight of these risks and reviews the Foundation's policies on an ongoing basis to ensure that these risks are appropriately managed. The sources of risk exposure and how each is managed are outlined below.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligation. The Foundation's credit risk is primarily attributable to accounts receivables and cash and cash equivalents. Management believes that the credit risk with respect to accounts receivables is not material. The Foundation's cash and cash equivalents are distributed among bank accounts. The Foundation does not expect any liquidity or credit losses.

Liquidity risk

Liquidity risk is the risk that the Foundation will not be able to meet its financial obligations as they become due. As at March 31, 2012, the Foundation had cash and cash equivalents of $680,670.

To the extent that the Foundation does not believe that it has sufficient liquidity to meet current obligations, consideration will be given to obtaining additional funds through fundraising or third-party financing, assuming these can be obtained.

Fair value

The fair value of the Foundation's financial instruments approximates their carrying values due to the short-term maturity and normal credit terms of those instruments.

Grant Thornton

Financial Statements

Western Regional Health Authority

March 31, 2012

Statement of responsibility

The accompanying consolidated financial statements are the responsibility of the Board of Trustees of the Western Regional Health Authority (the "Board") and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that financial information produced is relevant and reliable.

The Board met with management and its external auditors to review a draft of the consolidated financial statements and to discuss any significant financial reporting or internal control matters prior to their approval of the consolidated finalized financial statements.

Grant Thornton LLP as the Board's appointed external auditors, have audited the consolidated financial statements. The auditor's report is addressed to the Board and appears on the following page. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to obtain reasonable assurance that the consolidated financial statements are free of material misstatement and present fairly the financial position and results of the Board in accordance with Canadian public sector accounting standards.

____________________ Chair ____________________ Director

Independent auditors' report

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To the Board of Trustees

Western Regional Health Authority

We have audited the accompanying consolidated financial statements of the Western Regional Health Authority, which comprise the consolidated statement of financial position as at March 31, 2012 and the statement of operations, changes in net debt and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Western Regional Health Authority as at March 31, 2012 and the results of its consolidated operations and changes in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Comparative Information

Without modifying our opinion, we draw attention to Note 3 to the consolidated financial statements which describes that Western Regional Health Authority adopted Canadian public sector accounting standards on April 1, 2011 with a transition date of April 1, 2010. These standards were applied retrospectively by management to the comparative information in these consolidated financial statements including the statement of financial position as at March 31, 2011 and April 1, 2010, and the consolidated statement of operations, consolidated statement of change in net debt and consolidated statement of cash flows for the year ended March 31, 2011 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.

Grant Thornton LLP

Corner Brook, Canada

June 21, 2012

Chartered Accountants

Western Regional Health Authority
Consolidated statement of financial position

March 31	2012	2011 (Unaudited)	(Note 3 April 1 2010
Financial assets			
Cash and cash equivalents	**$ 1,777,676**	$ 621,361	$ 1,102,857
Receivables (Note 4)	**13,562,202**	22,063,005	14,716,335
Trust funds on deposit (Note 5)	**625,405**	603,999	543,725
Replacement reserve fund	**138,832**	181,681	181,983
Restricted cash and investments	**135,160**	135,814	129,145
	$ 16,239,275	$ 23,605,860	$ 16,674,045
Liabilities			
Bank indebtedness (Note 6)	**$ -**	$ 8,736,624	$ 900,892
Payables and accruals	**30,947,830**	25,012,151	23,429,664
Vacation pay accrual	**9,387,133**	9,295,886	9,381,457
Severance pay accrual (Note 7)	**28,384,639**	24,869,388	22,222,884
Sick leave accrual (Note 7)	**17,330,797**	16,441,922	15,796,901
Deferred contributions – operating	**2,826,418**	5,552,043	5,564,064
Deferred contributions – capital	**11,348,766**	14,848,120	16,614,250
Long term debt (Note 8)	**8,143,214**	9,665,906	10,974,605
Trust funds payable	**625,405**	603,999	543,725
	$ 108,994,202	$ 115,026,039	$ 105,428,442
Net debt	**$ (92,754,927)**	$ (91,420,179)	$ (88,754,397)
Non-financial assets			
Tangible capital assets (Note 10)	**$ 78,691,420**	$ 78,028,240	$ 75,472,441
Inventory (Note 11)	**5,840,171**	5,819,972	5,224,088
Prepaid expenses	**6,897,859**	7,510,416	6,899,254
	91,429,450	91,358,628	87,595,783
Accumulated deficit	**$ (1,325,477)**	$ (61,551)	$ (1,158,614)

Contingencies and commitments (Note 12)

On behalf of the Board

Member

Member

See accompanying notes to the consolidated financial statements

Western Regional Health Authority

Consolidated statement of operations

Year ended March 31	**Budget 2012**	**Actual 2012**	Actual 2011 (Unaudited)
Revenue			
Provincial plan – operating grant	**$ 284,928,795**	**$ 284,928,795**	$ 279,870,622
Capital grant – provincial	**-**	**7,891,110**	11,688,757
Capital grant – other	**-**	**645,308**	335,215
National Child Benefit	**464,306**	**464,306**	1,502,441
Early Childhood Development	**358,996**	**358,996**	1,406,226
Early Learning and Child Care	**-**	**-**	1,728,277
MCP physician revenue	**17,906,944**	**17,906,944**	17,188,620
Inpatient	**1,430,900**	**1,247,255**	1,968,001
Outpatient	**1,655,900**	**1,532,606**	1,670,204
Resident revenue – long term care	**7,403,230**	**7,368,400**	6,962,113
Mortgage interest subsidy	**40,000**	**33,354**	40,507
Food service	**1,771,000**	**2,107,232**	2,152,488
Other recoveries	**8,451,793**	**9,618,578**	8,657,592
Other	**6,049,724**	**6,712,493**	8,231,833
	330,461,588	**340,815,377**	343,402,896
Expenditures			
Administration	**28,128,177**	**27,237,769**	23,943,235
Support services	**59,569,773**	**59,249,722**	59,191,397
Nursing inpatient services	**82,247,089**	**82,150,101**	80,745,087
Medical services	**21,257,705**	**21,281,022**	19,997,452
Ambulatory care services	**24,833,570**	**24,751,499**	23,105,791
Diagnostic and therapeutic services	**32,728,936**	**32,166,182**	30,756,735
Community and social services	**73,767,727**	**74,359,770**	85,336,432
Educational services	**5,885,714**	**5,569,623**	5,319,850
Undistributed	**2,042,897**	**2,091,464**	2,102,104
	330,461,588	**328,857,152**	330,498,083
Surplus	**$ -**	**$ 11,958,225**	$ 12,904,813

See accompanying notes to the consolidated financial statements

Western Regional Health Authority

Consolidated statement of operations (cont'd)

Year ended March 31	**Budget 2012**	**Actual 2012**	Actual 2011 (Unaudited)
Adjustments for undernoted items – net expenses			
Amortization expense	$ -	$ **8,589,793**	$ 8,376,612
Accrued vacation expense-increase (decrease)	-	**91,247**	(85,571)
Accrued severance expense-increase	-	**3,529,222**	2,645,427
Accrued severance expense (cottages) - (decrease) increase	-	**(13,971)**	1,077
Accrued sick expense – increase	-	**888,875**	645,021
Cottages - deficit	-	**136,985**	225,184
Total adjustments for above noted items	-	**13,222,151**	11,807,750
Surplus(Deficit)	-	**(1,263,926)**	1,097,063
Accumulated deficit, beginning of year	-	**(61,551)**	(1,158,614)
Accumulated deficit, end of year	**$ -**	**$ (1,325,477)**	$ (61,551)

See accompanying notes to the consolidated financial statements

Western Regional Health Authority
Consolidated statement of changes in net debt

March 31	**Actual 2012**	Actual 2011 (Unaudited)
Net debt, beginning of year	**$ (91,420,179)**	$ (88,754,397)
Surplus (deficit) for the year	**(1,263,926)**	1,097,063
Changes in tangible capital assets		
Acquisition of tangible capital assets	**(9,698,682)**	(11,360,269)
Amortization of tangible capital assets	**8,589,793**	8,376,612
Amortization of tangible capital assets-Cottages	**445,709**	427,858
Decrease in net book value of tangible capital assets	**(663,180)**	(2,555,799)
Changes in other non-financial assets		
Acquisition of prepaid expense (net of usage)	**612,557**	(611,162)
Acquisition of inventories of supplies (net of usage)	**(20,199)**	(595,884)
Increase (decrease) in other non-financial assets	**592,358**	(1,207,046)
Decrease in net debt	**(1,334,748)**	(2,665,782)
Net debt, end of year	**$ (92,754,927)**	$ (91,420,179)

See accompanying notes to the consolidated financial statements

Western Regional Health Authority

Consolidated statement of cash flows

Year ended March 31	2012	2011 (Unaudited)
Operating		
Annual (deficit) surplus	$ (1,263,926)	$ 1,097,063
Add (deduct) non-cash items:		
Amortization of capital assets	8,589,793	8,376,612
Amortization of capital assets - cottages	445,709	427,858
Accrued vacation expense – increase (decrease)	91,247	(85,571)
Accrued severance expense – increase	3,529,222	2,645,427
Accrued severance expense cottages – increase	-	1,077
Accrued sick expense – increase	888,875	645,021
Changes in:		
Receivables	8,500,803	(7,346,670)
Inventory	(20,199)	(595,884)
Prepaid expenses	612,557	(611,162)
Deferred contributions - operating	(2,725,625)	(12,021)
Payables and accruals	5,935,679	1,582,487
Severance accrual – cottages	(13,971)	-
Net cash provided by operating transactions	24,570,164	6,124,237
Capital		
Acquisitions of tangible capital assets	(9,698,682)	(11,360,269)
Net cash applied to capital transactions	(9,698,682)	(11,360,269)
Financing		
Debt assumed	(8,736,624)	7,835,732
Repayment of long term debt	(1,522,692)	(1,308,699)
Capital contributions	(3,499,354)	(1,766,130)
Net cash (applied to) provided by financing transactions	(13,758,670)	4,760,903
Investing		
Restricted cash and investments	654	(6,669)
Replacement reserve fund	42,849	302
Net cash provided by (applied to) investing transactions	43,503	(6,367)
Net cash provided (applied)	1,156,315	(481,496)
Cash and cash equivalents - beginning of year	621,361	1,102,857
Cash and cash equivalents - end of year	$ 1,777,676	$ 621,361

See accompanying notes to the consolidated financial statements

1. Nature of operations

The Western Regional Health Authority ("Western Health") is constituted under the Regional Health Authority's Act (formerly known as the Hospital's Act) Constitution Order and is responsible for the management and control of the operations of acute and long term care facilities as well as community health services in the western region of the Province of Newfoundland and Labrador.

Western Health is an incorporated not-for-profit with no share capital, and as such, is exempt from income tax.

Western Health controls Gateway Apartments, Emile Benoit House & Units, Interfaith Home and Cottages, Bay St. George Cottages and LHC Cottages. These entities were established to provide housing to senior citizens. These entities have been included in the consolidated financial statements.

2. Summary of significant accounting policies

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants and reflect the following significant accounting policies:

Basis of consolidation
The consolidated financial statements include the assets, liabilities, revenues and expenses of the reporting entity. The reporting entity is comprised of all organizations which are controlled by Western Health including Gateway Apartments, Emile Benoit House & Units, Interfaith Home and Cottages, Bay St. George Cottages and LHC Cottages.

Use of estimates
The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Items requiring the use of significant estimates include accrued severance, accrued sick leave, useful life of tangible capital assets, impairment of assets and allowance for doubtful accounts.

Estimates are based on the best information available at the time of preparation of the consolidated financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

2. Summary of significant accounting policies (cont'd)

Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks and short term deposits, with original maturities of three months or less. Bank borrowings are considered to be financing activities.

Severance and sick pay liability

Upon termination, retirement or death, the organization provides their employees, with at least nine years of services with severance benefits equal to one week of pay per year of service up to a maximum of 20 weeks. An actuarially determined accrued liability for severance has been recorded in the statements. This liability has been determined using management's best estimate of employee retention, salary escalation, long term inflation and discount rates.

The organization provides their employees with sick leave benefits that accumulate but do not vest. The benefits provided to employees vary based upon classification within the various negotiated agreements. An actuarially determined accrued liability has been recorded on the statements for non-vesting sick leave benefits. The cost of non-vesting sick leave benefits are actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement, long term inflation rates and discount rates

Vacation pay liability

An accrued liability for vacation pay is recorded in the accounts at year end for all employees who have a right to receive these benefits.

Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives generally extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the annual deficit (surplus), provides the change in net financial debt for the year.

Inventory

Inventory is valued at average cost. Cost includes purchase price plus the non-refundable portion of applicable taxes.

2. Summary of significant accounting policies (cont'd)

Tangible capital assets

Western Health has control over certain assets for which title resides with the Government of Newfoundland and Labrador. These assets have not been recorded in the financial statements of Western Health. Capital assets acquired after January 1, 1996 are recorded at cost. Assets are not amortized until placed in use. Assets in use are amortized over their useful life on a declining balance basis at the following rates:

Land improvements	2 ½%
Buildings	6 ¼%
Parking lot	6 ¼%
Equipment	15%
Equipment under capital lease	15%
Motor vehicles	20%
Leasehold Improvements	20%

Capital and operating leases

A lease that transfers substantially all of the risks and rewards incidental to the ownership of property is accounted for as a capital lease. Assets acquired under capital lease result in a capital asset and an obligation being recorded equal to the lesser of the present value of the minimum lease payments and the property's fair value at the time of inception. All other leases are accounted for as operating leases and the related payments are expensed as incurred.

Impairment of long-lived assets

Long-lived assets are reviewed for impairment upon the occurrence of events or changes in circumstances indicating that the value of the assets may not be recoverable, as measured by comparing their net book value to the estimated undiscounted cash flows generated by their use. Impaired assets are recorded at fair value, determined principally using discounted future cash flows expected from their use and eventual disposition.

Revenue recognition

Provincial plan revenues for operating and capital purposes are recognized in the period in which all eligibility criteria or stipulations have been met. Any funding received prior to satisfying these conditions is deferred until conditions have been met. When revenue is received without eligibility criteria or stipulations, it is recognized when the transfer from the Province of Newfoundland and Labrador is authorized.

Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

2. Summary of significant accounting policies (cont'd)

Revenue recognition (cont'd)

Revenue from the sale of goods and services is recognized at the time the goods are delivered or the services are provided.

Western Health reviews outstanding receivables at least annually and provides an allowance for receivables where collection has become questionable.

Pension costs

Employees of Western Health are covered by the Public Service Pension Plan and the Government Money Pension Plan administered by the Province of Newfoundland and Labrador. Contributions to the plans are required from both the employees and Western Health. The annual contributions for pensions are recognized in the accounts on an accrual basis.

Funds and reserves

Certain amounts, as approved by the board are set aside in accumulated surplus for future operating and capital purposes. Transfers to/from funds and reserves are an adjustment to the respective fund when approved.

Financial instruments

Western Health considers any contract creating a financial asset, liability or equity instrument as a financial instrument, except in certain limited circumstances. Western Health accounts for the following as financial instruments:

- cash and cash equivalents
- receivables
- trust funds on deposit
- restricted cash and investments
- bank indebtedness
- payables and accruals
- long term debt
- trust funds payable

A financial asset or liability is recognized when Western Health becomes party to contractual provisions of the instrument. Amounts due to and from related parties are measured at the exchange amount, being the amount agreed upon by the related parties.

2. Summary of significant accounting policies (cont'd)

Measurement

The company initially measures its financial assets and financial liabilities at fair value, except for certain non-arm's length transactions.

Financial assets or liabilities obtained in related party transactions are measured in accordance with the accounting policy for related party transactions except for those transactions that are with a person or entity whose sole relationship with Western Health is in the capacity of management in which case they are accounted for in accordance with financial instruments.

Western Health initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

Western Health subsequently measures its financial assets and financial liabilities at cost or amortized cost, except for derivatives and equity securities quoted in an active market, which are subsequently measured at fair value. Changes in fair value are recognized in annual surplus.

Financial assets measured at cost include cash and cash equivalents, receivables, trust funds on deposit, and restricted cash and investments.

Financial liabilities measured at cost include bank indebtedness, payables and accruals, long term debt and trust funds payable.

Impairment

Western Health removes financial liabilities, or a portion of, when the obligation is discharged, cancelled or expires.

Financial assets measured at cost are tested for impairment when there are indicators of impairment. Previously recognized impairment losses are reversed to the extent of the improvement provided the asset is not carried at an amount, at the date of the reversal, greater than the amount that would have been the carrying amount has no impairment loss been recognized previously. The amounts of any write-downs or reversals are recognized in net annual surplus.

3. Impact of the change in the basis of accounting

These consolidated financial statements are the first financial statements for which Western Health has applied Canadian public sector accounting standards ("PSA Standards"). The consolidated financial statements for the year ended March 31, 2012 were prepared in accordance with PSA standards. Comparative period information presented for the year ended March 31, 2011 was prepared in accordance with PSA standards and the provisions set out in Section *PS 2125 First-time adoption by government organizations*.

The date of transition to PSA standards is April 1, 2010. The adoption of the standards has resulted in a restatement of the Statement of Operations for the year ended March 31, 2011 and accumulated surplus as of April 1, 2010 and March 31, 2011. The significant impacts on the statement of operations and statement of financial position included:

- consolidation of the cottages into the financial statements of the organization
- write off of certain deferred capital contributions
- write off of deferred unamortized portion of capital asset grants
- adjustments to severance and sick leave accrual based upon actuarial valuation

(a) Adjustment to the statement of financial position as at April 1, 2010:

	As previously reported	Adjustment required	As restated
Financial assets			
Cash	$ 851,658	$ 251,199	$ 1,102,857
Receivables	14,642,569	73,766	14,716,335
Replacement reserve fund	-	181,983	181,983
Inventory	5,224,088	(5,224,088)	-
Prepaid expenses	6,807,514	(6,807,514)	-
Trust funds on deposit	543,725	-	543,725
Restricted cash and investments	129,145	-	129,145
Due from associated funds	725,950	(725,950)	-
Capital Assets	68,561,950	(68,561,950)	-
	$ 97,486,599	$ (80,812,554)	$ 16,674,045

3. Impact of the change in the basis of accounting (cont'd)

	As previously reported	Adjustment required	As restated
Financial liabilities			
Bank indebtedness	$ 900,892	$ -	$ 900,892
Payables and accruals	23,315,659	114,005	23,429,664
Vacation pay accrual	9,381,457	-	9,381,457
Severance pay accrual	28,416,001	(6,193,117)	22,222,884
Sick leave accrual	-	15,796,901	15,796,901
Deferred contributions – operating	5,553,309	10,755	5,564,064
Deferred contributions – capital	18,283,370	(1,669,120)	16,614,250
Long term debt	4,363,848	6,610,757	10,974,605
Trust funds payable	543,725	-	543,725
Deferred contributions – unamortized Portion of capital asset grants	60,947,519	(60,947,519)	-
	$ 151,705,780	$ (46,277,338)	$ 105,428,442
Non-financial assets			
Tangible capital assets	$ -	$ 75,472,441	$ 75,472,441
Inventory	-	5,224,088	5,224,088
Prepaid expenses	-	6,899,254	6,899,254
	$ -	$ 87,595,783	$ 87,595,783
Accumulated deficit	$ (54,219,181)	$ (53,060,567)	$ (1,158,614)

(b) Reconciliation of previously reported annual surplus (deficit) for March 31, 2011 with the annual surplus (deficit) for March 31, 2011 shown in the financial statements:

	2011 (Unaudited)
Annual deficit, as previously reported at March 31, 2011	$ (647,875)
Adjustment related to deferred capital contributions	663,702
Adjustment related to deferred contributions – unamortized portion of capital asset grants	11,360,270
Adjustment to amortization of deferred capital grants	(7,326,911)
Adjustment related to sick leave expense	(645,021)
Adjustment related to severance expense	(2,081,918)
Adjustment related to cottages net income	(225,184)
Annual surplus, as adjusted at March 31, 2011	$ 1,097,063

Western Health has elected to use the following elections in respect to their transition:

a) Retirement and post-employment benefits - the organization has elected to recognize all cumulative actuarial gains and losses at the date of transition directly in accumulated surplus/deficit.

4. Receivables

		2012		2011 (Unaudited)		2010 (Unaudited)
Province of Newfoundland and Labrador						
Capital contributions	**$**	**168,176**	$	1,357,196	$	669,945
Provincial plan		**999,100**		8,293,765		7,393,684
MCP		**3,202,184**		5,082,878		2,014,762
Patient services		**2,765,158**		1,994,430		1,224,515
Foundations		**176,069**		116,225		47,992
Employees' pay and travel advances		**403,882**		446,597		477,178
Harmonized sales tax rebate		**419,212**		315,629		611,610
Other		**5,428,421**		4,265,624		2,266,355
NLHC		**-**		190,661		10,294
	$	**13,562,202**	$	22,063,005	$	14,716,335

5. Trust funds

Funds belonging to patients of Western Health are being held in trust for the benefit of the patients.

6. Bank indebtedness

Western Health has access to a line of credit with the Bank of Montreal in the amount of $17,500,000 (2011 - $17,000,000; 2010 - $21,500,000) in the form of revolving demand loans and/or bank overdrafts. The authorization to borrow has been approved by the Minister of Health and Community Services. The balance outstanding on this line of credit at March 31, 2012 is $0 (2011 - $8,736,624; 2010 - $900,892). Interest is being charged at prime less 1.15% on any overdraft (March 31, 2012 – 1.85%; March 31, 2011 - 1.85%; March 31, 2010 – 1.85%).

7. Employee future benefits

The actuarial valuation was completed on June 8, 2012. The assumptions are based on future events. The economic assumptions used in the valuation are Western Health's best estimates of expected rates as follows:

	2012	2011 (Unaudited)	2010 (Unaudited)
Wages and salary escalation	**4%**	4%	4%
Interest	**3.85%**	4.65%	5.20%

7. Employee future benefits (cont'd)

The sick leave accrual as at March 31 are as follows:

	2012	2011 (Unaudited)	2010 (Unaudited)
Initial valuation	$ -	$ -	$ 15,796,901
Accrued sick pay obligation beginning of year	**16,441,922**	15,796,901	
Current period benefit cost	**1,817,169**	1,697,026	-
Benefit payments	**(2,453,126)**	(2,358,776)	-
Interest on the accrued benefit sick leave obligations	**749,763**	804,233	-
Actuarial (gains)/losses	**775,069**	502,538	-
Accrued sick pay obligations end of year	**$ 17,330,797**	$ 16,441,922	$ 15,796,901

The severance pay accrual as at March 31 are as follows:

	2012	2011 (Unaudited)	2010 (Unaudited)
Initial valuation	$ -	$ -	$ 22,222,884
Accrued severance obligation beginning of year	**24,869,388**	22,222,884	-
Current period benefit cost	**1,820,699**	1,662,759	-
Benefit payments	**(1,401,522)**	(1,347,618)	-
Interest on the accrued Severance obligation	**1,165,198**	1,162,359	-
Actuarial (gains)/losses	**1,930,876**	1,169,004	-
Accrued severance obligation end of year	**$ 28,384,639**	$ 24,869,388	$ 22,222,884

8. **Long term debt**	**2012**	2011 (Unaudited)	2010 (Unaudited)
4.26% mortgage on the Bay St. George Seniors Home, maturing in 2021, repayable in blended monthly payments of $13,544	$ **1,227,821**	$ 1,341,282	$ 1,444,752
8% mortgage on the Bay St. George Seniors Home, maturing in 2026, repayable in blended monthly payments of $9,523	**990,982**	1,025,588	1,057,741
7.875% mortgage on the Corner Brook Interfaith Home, repaid during the year	-	537,512	567,243
4.56% mortgage on the Woody Point Clinic, maturing in 2020, repayable in blended monthly payments of $2,304	**187,221**	205,180	223,032
Obligations under capital lease, 5.83%, matured in 2011, repayable in blended monthly payments of $61,759	-	373,445	1,071,080
4.63 % CMHC loan maturing in 2012, repayable in monthly principal and interest instalments of $9,952, amortized to 2017	**579,449**	669,954	756,462
2.86% CMHC loan due in 2018, repayable in monthly blended instalments of $6, 073 until December 1, 2013	**447,037**	506,255	563,842
10% CMHC loan due 2028, repayable in monthly principal and interest instalments of $8,028	**776,998**	796,006	813,397
2.65% CMHC mortgage due 2019, amortized over 25 years, repayable in monthly principal and interest instalments of $7, 370	**619,227**	690,278	759,545

8. Long term debt (cont'd)	**2012**	2011 (Unaudited)	2010 (Unaudited)
2.40% CMHC mortgage due 2020, amortized over 25 years, repayable in monthly principal and interest instalments of $7,473	**652,396**	725,494	794,425
1.67% NLHC loan due in 2024, payable in monthly blended instalments of $6,351 until March 2017	**828,549**	880,198	929,763
2.14% NLHC loan maturing in 2014 amortized to 2029, repayable in monthly principal and interest instalments of $3,953 until March 2014	**692,564**	724,838	756,467
1.67% NLHC mortgage due 2028, repayable in monthly principal and interest instalments of $2,726 until March 2017	**371,131**	387,716	403,677
1.67% NLHC mortgage due 2027 repayable in monthly principal and interest instalments of $4,529 until March 2017	**769,839**	802,160	833,179
	$ 8,143,214	$ 9,665,906	$ 10,974,605

As security for the mortgages, Western Health has provided a first mortgage over land and buildings at the Corner Brook Interfaith Home, Bay St. George Senior Citizens Home, Gateway Cottages, Cottages #1 & 2, NLHC and Woody Point Clinic having a net book value of 2012 - $8,143,214 (2011 - $ 9,292,461; 2010 – 9,903,525)

See Note 9 for five year principal repayment schedule.

9. Obligations under long term debt and leases

Western Health has acquired building additions and equipment under the terms of long term debt and capital leases. Payments under these obligations, scheduled to expire at various dates to 2017 are as follows:

Fiscal year ended	
2013	$ 619,244
2014	649,073
2015	680,360
2016	713,538
2017	747,847
	$ 3,410,062

10. Tangible capital assets

			2012
	Cost	Accumulated Depreciation	Net Book Value
Land	$ 1,101,758		$ 1,101,758
Land improvements	435,092	$ 248,313	186,779
Buildings	65,650,825	31,600,969	34,049,856
Parking lot	1,141,683	667,095	474,588
Equipment	113,438,312	71,326,050	42,112,262
Equipment under capital lease	7,162,767	7,040,715	122,052
Motor vehicles	1,460,756	834,746	626,010
Leasehold improvements	232,458	214,343	18,115
	$ 190,623,651	$ 111,932,231	$ 78,691,420

10. Tangible capital assets (cont'd)

			2011 (Unaudited)
	Cost	Accumulated Depreciation	Net Book Value
Land	$ 1,009,977		$ 1,009,977
Land improvements	526,873	$ 243,523	283,350
Buildings	64,364,021	29,550,645	34,813,376
Parking lot	1,141,683	635,456	506,227
Equipment	105,390,961	64,887,750	40,503,211
Equipment under capital lease	7,162,767	6,645,731	517,036
Motor vehicles	1,096,229	723,810	372,419
Leasehold improvements	232,458	209,814	22,644
	$ 180,924,969	$ 102,896,729	$ 78,028,240

			2010 (Unaudited)
	Cost	Accumulated Depreciation	Net Book Value
Land	$ 1,009,977	$	$ 1,009,977
Land improvements	526,872	238,608	288,264
Buildings	61,966,576	27,563,815	34,402,761
Parking lot	1,141,682	601,708	539,974
Equipment	96,579,527	58,911,591	37,667,936
Equipment under capital lease	7,162,767	5,922,756	1,240,011
Motor vehicles	944,842	649,628	295,214
Leasehold improvements	232,458	204,154	28,304
	$ 169,564,701	$ 94,092,260	$ 75,472,441

Book value of capitalized items that have not been amortized is $4,676,112 (2011 - $6,172,115; 2010 - $5,854,308)

11. Inventory

	2012	2011 (Unaudited)	2010 (Unaudited)
Dietary	**$ 154,166**	$ 140,018	$ 119,995
Pharmacy	**1,866,750**	1,746,181	1,776,457
Supplies	**3,819,255**	3,933,773	3,327,636
	$ 5,840,171	$ 5,819,972	$ 5,224,088

12. Contingencies and commitments

Claims

As of March 31, 2012, there were a number of claims against Western Health in varying amounts for which no provision has been made. It is not possible to determine the amounts, if any, that may ultimately be assessed against Western Health with respect to these claims, but management believes any claim, if successful, will be covered by liability insurance.

Operating leases

Western Health has a number of agreements whereby it leases vehicles, office equipment and buildings, in addition to those disclosed under Note 8. These leases are accounted for as operating leases. Future minimum lease payments for the next five years are as follows:

Fiscal year ended

2013	$ 3,043,961
2014	2,084,930
2015	1,820,941
2016	761,111
2017	500,933
	$ 8,211,876

13. Budget

The unaudited budget amounts included in these financial statements are the amounts approved by Western Health's Board for the current fiscal year. The budget would include all known service and program changes and enhancements for the coming year. Additional changes to services and programs that are initiated during the course of the year would be funded through budget adjustments and have been adjusted in the opening budget accordingly.

14. Comparative figures

Certain of the comparative figures have been restated to conform to the financial statement presentation used in the current year.

Western Regional Health Authority
Consolidated expenditures – operating/shareable
Schedule 1

Year ended March 31	2012	2011 (Unaudited)
Administration		
General administration	**$ 9,385,869**	$ 9,372,643
Finance	**3,039,310**	3,222,147
Personnel services	**5,149,624**	3,660,804
System support	**4,036,973**	2,670,617
Other administrative	**5,625,993**	5,017,024
	27,237,769	23,943,235
Support services		
Housekeeping	**10,527,259**	10,159,295
Laundry and linen	**2,704,448**	2,698,726
Plant services	**21,033,565**	21,902,283
Patient food services	**11,524,627**	11,330,207
Other support services	**13,459,823**	13,100,886
	59,249,722	59,191,397
Nursing inpatient services		
Nursing inpatient services – acute	**54,494,361**	54,678,474
Medical services	**21,281,022**	19,997,452
Nursing inpatient services – long term care	**27,655,740**	26,066,613
	103,431,123	100,742,539
Ambulatory care services	**24,751,499**	23,105,791
Diagnostic and therapeutic services		
Clinical laboratory	**10,669,482**	9,991,958
Diagnostic imaging	**8,681,260**	8,684,373
Other diagnostic and therapeutic	**12,815,440**	12,080,404
	32,166,182	30,756,735

Western Regional Health Authority
Consolidated expenditures – operating/shareable
Schedule 1 (cont'd)

Year ended March 31	**2012**	2011 (Unaudited)
Community and social services		
Mental health and addictions	**7,522,270**	6,709,567
Community support programs	**55,827,830**	49,019,442
Family support programs	**2,949,427**	19,263,192
Community youth corrections program	**-**	2,470,441
Health promotion and protection program	**8,060,243**	7,873,790
	74,359,770	85,336,432
Education	**5,569,623**	5,319,850
Undistributed	**2,091,464**	2,102,104
Shareable amortization	**542,171**	880,841
Total expenditures	**$ 329,399,323**	$ 331,378,924

Western Regional Health Authority
Consolidated expenditures – operating/shareable
Schedule 1A – DHCS

Year ended March 31	2012	2011 (Unaudited)
Administration		
General administration	**$ 9,385,869**	$ 9,372,643
Finance	**3,039,310**	3,222,147
Personnel services	**5,149,624**	3,660,804
System support	**4,036,973**	2,670,617
Other administrative	**5,625,993**	5,017,024
	27,237,769	23,943,235
Support services		
Housekeeping	**10,527,259**	10,159,295
Laundry and linen	**2,704,448**	2,698,726
Plant services	**21,033,565**	21,623,363
Patient food services	**11,524,627**	11,330,207
Other support services	**13,459,823**	13,100,886
	59,249,722	58,912,477
Nursing inpatient services		
Nursing inpatient services – acute	**54,494,361**	54,678,474
Medical services	**21,281,022**	19,997,452
Nursing inpatient services – long term care	**27,655,740**	26,066,613
	103,431,123	100,742,539
Ambulatory care services	**24,751,499**	23,105,791
Diagnostic and therapeutic services		
Clinical laboratory	**10,669,482**	9,991,958
Diagnostic imaging	**8,681,260**	8,684,373
Other diagnostic and therapeutic	**12,815,440**	12,080,404
	32,166,182	30,756,735

Western Regional Health Authority
Consolidated Expenditures – operating/shareable
Schedule 1A – DHCS (cont'd)

Year ended March 31	**2012**	2011 (Unaudited)
Community and social services		
Mental health and addictions	**7,522,270**	6,709,567
Community support programs	**55,827,830**	49,019,442
Family support programs	**2,949,427**	2,365,789
Health promotion and protection program	**8,060,243**	7,873,790
	74,359,770	65,968,588
Education	**5,569,623**	5,319,850
Undistributed	**2,091,464**	2,102,104
Shareable amortization	**542,171**	880,841
Total expenditures	**$ 329,399,323**	$ 311,732,160

Western Regional Health Authority
Consolidated Expenditures – operating/shareable
Schedule 1B – CYFS

Year ended March 31	2012	2011 (Unaudited)
Support services		
Plant services	$ -	$ 278,920
Community and social services		
Family support programs	-	16,897,403
Community youth corrections program	-	2,470,441
	-	19,367,844
Total expenditures	$ -	$ 19,646,764

Western Regional Health Authority

Consolidated revenue and expenditures for government reporting

Schedule 2

Year ended March 31	**2012**	2011 (Unaudited)
Revenue		
Provincial plan – operating grant	**$ 284,928,795**	$ 279,870,622
Capital grant – provincial	**7,891,110**	11,688,757
Capital grant – other	**645,308**	335,215
MCP physician revenue	**17,906,944**	17,188,620
Early Learning and Child Care	**-**	1,728,277
National Child Benefit	**464,306**	1,502,441
Early Childhood Development	**358,996**	1,406,226
Inpatient	**1,247,255**	1,968,001
Outpatient	**1,532,606**	1,670,204
Resident Revenue – long term care	**7,368,400**	6,962,113
Mortgage interest subsidy	**33,354**	40,507
Food service	**2,107,232**	2,152,488
Other recoveries	**9,618,578**	8,657,592
Other	**6,712,493**	8,231,833
Total revenue	**340,815,377**	343,402,896
Expenditures		
Worked and benefit salaries and contributions	**174,594,630**	174,922,085
Benefit contributions	**30,584,183**	29,929,004
	205,178,813	204,851,089
Supplies – plant operations and maintenance	**7,037,242**	6,484,050
Supplies – drugs	**8,474,482**	7,946,415
Supplies – medical and surgical	**11,972,497**	11,122,657
Supplies – other	**13,962,810**	13,467,103
	41,447,031	39,020,225
Direct client costs – mental health and addictions	**348,158**	268,193
Direct client costs – community support	**41,709,301**	36,252,880
Direct client costs – family support	**1,397,147**	8,829,223
Direct client costs – community youth corrections	**-**	9,740
	43,454,606	45,360,036
Other shareable expenses	**38,640,219**	41,030,135

Western Regional Health Authority

Consolidated revenue and expenditures for government reporting

Schedule 2 (cont'd)

Year ended March 31	**2012**	2011 (Unaudited)
Expenditures (cont'd)		
Long term debt – interest	**139,378**	193,131
Long term debt – principal	**168,726**	183,206
Capital lease – interest	**(2,895)**	43,467
Capital lease – principal	**373,445**	697,635
	678,654	1,117,439
Total expenditures	**329,399,323**	331,378,924
Less: Capital grant – provincial	**7,891,110**	11,688,757
Less: Capital grant – other	**645,308**	335,215
Surplus for government reporting	**2,879,636**	-
Long term debt - principal	**168,726**	183,206
Capital lease – principal	**373,445**	697,635
Surplus inclusive of other operations	**3,421,807**	880,841
Shareable amortization	**542,171**	880,841
Surplus before non-shareable items	**2,879,636**	-
Non-shareable items		
Amortization expense	**8,047,622**	7,495,771
Accrued vacation expense (decrease) increase	**91,247**	(85,571)
Accrued severance expense - increase	**3,515,251**	2,646,504
Accrued sick expense – increase	**888,875**	645,021
Cottages	**136,985**	225,184
Capital grant – Provincial	**(7,891,110)**	(11,688,757)
Capital grant - Other	**(645,308)**	(335,215)
	4,143,562	(1,097,063)
(Deficit) surplus as per Statement of Operations	**$ (1,263,926)**	$ 1,097,063

Western Regional Health Authority
Consolidated revenue and expenditures for government reporting
Schedule 2A – DHCS

Year ended March 31	**2012**	2011 (Unaudited)
Revenue		
Provincial plan	**$ 284,928,795**	$ 264,753,998
Capital grant – provincial	**7,891,110**	11,688,757
Capital grant – other	**645,308**	335,215
MCP physician revenue	**17,906,944**	17,188,620
National Child Benefit	**464,306**	464,306
Early Childhood Development	**358,996**	285,802
Inpatient	**1,247,255**	1,968,001
Outpatient	**1,532,606**	1,670,204
Resident Revenue – long term care	**7,368,400**	6,962,113
Mortgage interest subsidy	**33,354**	40,507
Food service	**2,107,232**	2,152,488
Other recoveries	**9,618,578**	8,616,075
Other	**6,712,493**	7,630,046
Total revenue	**340,815,377**	323,756,132
Expenditures		
Worked and benefit salaries and contributions	**174,594,630**	168,190,492
Benefit contributions	**30,584,183**	28,811,426
	205,178,813	197,001,918
Supplies – plant operations and maintenance	**7,037,242**	6,484,050
Supplies – drugs	**8,474,482**	7,946,415
Supplies – medical and surgical	**11,972,497**	11,122,657
Supplies – other	**13,962,810**	13,390,881
	41,447,031	38,944,003
Direct client costs – mental health and addictions	**348,158**	268,193
Direct client costs – community support	**41,709,301**	36,252,880
Direct client costs – family support	**1,397,147**	1,096,784
	43,454,606	37,617,857
Other shareable expenses	**38,640,219**	37,050,943

Western Regional Health Authority

Consolidated revenue and expenditures for government reporting

Schedule 2A – DHCS (cont'd)

Year ended March 31	2012	2011 (Unaudited)
Expenditures (cont'd)		
Long term debt – interest	**139,378**	193,131
Long term debt – principal	**168,726**	183,206
Capital lease – interest	**(2,895)**	43,467
Capital lease – principal	**373,445**	697,635
	678,654	1,117,439
Total expenditures	**329,399,323**	311,732,160
Less: Capital grant – provincial	**7,891,110**	11,688,757
Less: Capital grant – other	**645,308**	335,215
Surplus for government reporting	**2,879,636**	-
Long term debt - principal	**168,726**	183,206
Capital lease – principal	**373,445**	697,635
Surplus inclusive of other operations	**3,421,807**	880,841
Shareable amortization	**542,171**	880,841
Surplus before non-shareable items	**2,879,636**	-
Non-shareable items		
Amortization expense	**8,047,622**	7,495,771
Accrued vacation expense increase (decrease)	**91,247**	(85,571)
Accrued severance expense - increase	**3,515,251**	2,646,504
Accrued sick expense – increase	**888,875**	645,021
Cottages - deficit	**136,985**	225,184
Capital grant – provincial	**(7,891,110)**	(11,688,757)
Capital grant – other	**(645,308)**	(335,215)
	4,143,562	(1,097,063)
(Deficit) surplus as per Statement of Operations	**$ (1,263,926)**	$ 1,097,063

Western Regional Health Authority

Consolidated revenue and expenditures for government reporting

Schedule 2B – CYFS

Year ended March 31	2012	2011 (Unaudited)
Revenue		
Provincial plan	$ -	$ 15,116,624
Early Learning and Child Care	-	1,728,277
National Child Benefit	-	1,038,135
Early Childhood Devlopment	-	1,120,424
Other recoveries	-	41,517
Other	-	601,787
Total revenue	-	19,646,764
Expenditures		
Worked and benefit salaries and contributions	-	6,731,593
Benefit contributions	-	1,117,578
	-	7,849,171
Supplies – other	-	76,222
Direct client costs – family support	-	7,732,439
Direct client costs – community youth corrections	-	9,740
	-	7,742,179
Other shareable expenses	-	3,979,192
Total expenditures	-	19,646,764
Surplus (deficit) as per Statement of Operations	$ -	$ -

Western Regional Integrated Health Authority
Consolidated funding and expenditures for government reporting
Capital transactions
Schedule 3

Year ended March 31		2012		2011 (Unaudited)
Sources of funds				
Provincial capital equipment grant for current year	$	**6,582,816**	$	7,776,061
Provincial facility capital grant in current year		**1,952,233**		6,145,900
Add: Deferred capital grant from prior year		**14,848,120**		16,614,250
Less: Capital facility grant reallocated for operating fund purchases		**(4,143,293)**		(3,999,334)
Less: Deferred capital grant from current year		**(11,348,766)**		(14,848,120)
		7,891,110		11,688,757
Other contributions				
Foundations, auxiliaries and other		**645,308**		335,215
Total funding		**8,536,418**		12,023,972
Capital expenditures				
Asset, building and land		**1,286,804**		2,397,445
Asset, equipment		**8,411,878**		8,962,824
		9,698,682		11,360,269
Total expenditures		**9,698,682**		11,360,269
(Deficit) surplus on capital purchases	$	**(1,162,264)**	$	663,703

Western Regional Health Authority

Accumulated operating deficit for government reporting – excluding cottage operations

Schedule 4A

Year ended March 31	**2012**	2011
Accumulated operating deficit		
Current assets		
Cash and cash equivalents	**$ 1,610,125**	$ 226,542
Accounts receivable	**13,546,546**	21,822,960
Intercompany – cottages	**953,752**	1,304,909
Inventory	**5,840,171**	5,819,972
Prepaid expenses	**6,797,631**	7,413,904
Other	**(11,637)**	(9,419)
Total assets	**28,736,588**	36,578,868
Current liabilities		
Bank indebtedness	**-**	8,736,624
Accounts payable and accrued liabilities	**30,867,926**	24,937,325
Deferred contributions – operating	**2,823,618**	5,541,488
Deferred contributions - capital	**11,348,766**	14,848,120
Total current liabilities	**45,040,310**	54,063,557
Accumulated operating deficit	**$ (16,303,722)**	$ (17,484,689)
Reconciliation of operating deficit – operating fund only		
Accumulated operating deficit – beginning of year	**$ (17,484,689)**	$ (18,139,324)
Add: IFH mortgage settlement	**(534,812)**	
Add: Net operating income (loss) per schedule II	**2,879,636**	-
Add: Net surplus (deficit) on capital purchases per schedule III	**(1,162,264)**	663,703
Less: Restricted interest (income) loss	**(1,593)**	(9,068)
Accumulated operating deficit –end of year	**(16,303,722)**	(17,484,689)
Less: Net surplus (deficit) on capital purchases-2010	**$ 1,669,151**	$ 1,669,151
Less: Net surplus (deficit) on capital purchases -2011	**663,703**	663,703
Less: Net surplus (deficit) on capital purchases -2012	**(1,162,264)**	-
Accumulated operating deficit – per Department of Health and Community Services	**$ (17,474,312)**	$ (19,817,543)

Western Regional Health Authority

Reconciliation of consolidated accumulated operating deficit for government reporting

Schedule 4B

Year ended March 31	**2012**	2011
Accumulated operating deficit – end of year per Schedule IVA	**$ (16,303,722)**	$ (17,484,689)
Adjustments:		
Intercompany – cottages elimination	**(953,752)**	(1,304,909)
Cottages – current assets	**283,435**	731,376
Cottages – current liabilities	**(82,704)**	(85,381)
Other assets	**11,637**	9,419
Restricted cash and investments	**135,160**	135,814
Replacement reserve	**138,832**	181,681
Vacation pay accrual	**(9,387,133)**	(9,295,886)
Severance pay accrual	**(28,384,639)**	(24,869,388)
Sick pay accrual	**(17,330,797)**	(16,441,922)
Long term debt	**(8,143,214)**	(9,665,906)
Tangible capital assets	**78,691,420**	78,028,240
	14,978,245	17,423,138
Accumulated deficit per Statement of Financial Position	**$ (1,325,477)**	$ (61,551)

WESTERN SCHOOL DISTRICT

FINANCIAL STATEMENTS/AUDITOR'S REPORT
June 30, 2011

Auditors' Report

To The Members of Western School District

We have audited the balance sheet of the current and capital funds of Western School District as at June 30, 2011, and the related statements of current revenues, expenditures and district equity, and statement of changes in capital fund position for the year then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

As required by Section 66 (2) of the Schools Act, we report that the employees whose duties include collecting, receiving or depositing of money are bonded in amounts considered to be sufficient.

In our opinion, these financial statements present fairly, in all materials respects, the financial position of the District as at June 30, 2011 and the results of its operations and changes in its capital financial position for the year ended, in accordance with Canadian generally accepted accounting principles and as explained in Note 1 to the financial statements, and are in compliance with reporting requirements established for School Districts in the Province of Newfoundland and Labrador by the Department of Education

Kung + Robert

Chartered Accountants

Stephenville, NL
August/31/2011

Western School District

BALANCE SHEET

June 30, 2011

Assets

	2011	2010
Current Assets		
Cash (Supp.Info.1)	$ 2,863,144	$ 4,284,998
Short Term Investments (Supp.Info.2)	137,755	158,124
Accounts Receivable (Note 2)	14,608,347	13,284,818
Prepaid Expenses	221,473	240,290
Total Current Assets	17,830,719	17,968,230
Property and Equipment (schedule 8)	99,149,600	82,542,695
	$ 116,980,319	$ 100,510,925

Liabilities and District Equity

	2011	2010
Current Liabilities		
Bank Indebtedness (Note 3)	$ --	$ --
Accounts Payable and Accrued (Note 4)	3,959,151	4,552,423
Vacation Pay Accrued	13,992,292	13,758,875
Current Maturities (schedule 9b)	359,742	352,917
Total Current Liabilities	18,311,185	18,664,215
Severance Pay Accrual	23,835,139	22,642,287
Long-Term Debt (schedule 9)	1,381,299	1,326,616
District Equity		
Investment in Capital Assets	97,461,033	80,915,637
Reserve Account	200,987	200,987
District Equity	(24,209,324)	(23,238,817)
Total District Equity	73,452,696	57,877,807
	$ 116,980,319	$ 100,510,925

Contingencies (Note 8)

Approved: Chairman

Secretary

Western School District

STATEMENT OF CURRENT REVENUES, EXPENDITURES AND DISTRICT EQUITY

For the Year Ended June 30, 2011

	2011	2010
Current Revenue (Schedule 1)		
Provincial Government Grants	$ 154,784,922	$ 149,982,113
Donations	--	--
Ancillary Services	101,549	110,689
Miscellaneous	176,574	103,401
	155,063,045	150,196,203
Current Expenditures		
Administration (Schedule 2)	9,171,657	9,043,857
Instruction (Schedule 3)	127,671,021	124,654,150
Operations and Maintenance (Schedule 4)	15,487,216	14,583,181
Pupil Transportation (Schedule 5)	8,709,694	8,400,091
Ancillary Services (Schedule 6)	35,240	45,646
Interest Expense (Schedule 9C)	234	--
Miscellaneous (Schedule 7)	111,500	58,258
	161,186,562	156,785,183
23 111 Excess of Revenue over Expenditures	(6,123,517)	(6,588,980)
Transfer to/from Capital	5,153,010	4,736,303
Net Increase/Decrease in District Equity	(970,507)	(1,852,677)
District Equity, Beginning of Year	(23,238,817)	(21,386,140)
District Equity, End of Year	$ (24,209,324)	$ (23,238,817)

See Accompanying Notes

Western School District

STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Year Ended June 30, 2011

			2011	2010
60		**Operating Activities**		
	011	Excess of Revenue over Expenditures	$ (6,123,517)	$ (6,588,980)
	012	Changes in Non-Cash Working Capital		
	013	- Short-Term Investments	20,369	(1,858)
	014	- Accounts Receivable	(1,323,529)	275,035
	015	- Prepaid Expenses	18,817	(19,144)
	014	- Accounts Payable, Accruals & Vacation Payable	(359,855)	874,267
	015	- Current Maturities	6,825	(8,204)
	016	Other (Specify)		
		- Principal Payments	374,092	361,122
		- Increase (Decrease) in Severance Pay Accrual	1,192,852	1,266,453
	017	Amortization of Capital Assets	5,151,383	4,478,988
			(1,042,563)	637,679
61		**Financing Activities**		
	011	Proceeds from Bank Loans	435,600	--
	012	Grants – Deficit Retirement	--	--
	013	Other Capital Revenues- Buses	--	--
	014	Changes in Long-Term Debt	(380,918)	(352,918)
	15	Other (Specify) - Capital Grant		
		- Service Vehicle	--	37,632
		- Capital Grant – Buildings	--	--
		- Donations – Playground Equipment	--	26,962
			54,682	(288,324)
62		**Investing Activities**		
	011	Proceeds on Sale of Capital Assets	1,627	257,315
	012	Additions to Property and Equipment	(435,600)	(64,594)
	013	Other (Specify)	--	--
			(433,973)	192,721
63		**Increase (Decrease) in Cash**	(1,421,854)	542,076
64		**Cash, Beginning of The Year**	4,284,998	3,742,922
65		**Cash, End of The Year**	$ 2,863,144	$ 4,284,998

Western School District
STATEMENT OF CHANGES IN CAPITAL FUND
For the Year Ended June 30, 2011

			2011	2010
70		**Capital Receipts**		
71		Proceeds from Bank Loans		
	011	- School Construction	$ --	$ --
	012	- Equipment	--	--
	013	- Service Vehicles	--	--
	014	- Pupil Transportation	435,600	--
	015	- Other (Specify)	--	--
			435,600	--
72		**EIC Grants**		
	011	School Construction and Equipment	--	--
	012	Other – Transportation – Government	--	--
			--	--
73		**Donations**		
	011	- Cash Receipts	--	--
	012	- Non-Cash Receipts	--	--
	013	- Playground Equipment	--	26,962
			--	26,962
74		**Sale of Capital Assets – Proceeds**		
	011	- Land	--	--
	012	- Buildings	1,627	257,315
	013	- Equipment	--	--
	014	- Service Vehicles	--	--
	015	- Pupil Transportation Vehicles	--	--
	016	- Other (Specify)	--	--
		- Accounts Receivable – Capital	--	--
			1,627	257,315
75		**Other Capital Revenues**		
	011	- Interest on Capital Fund Investments	--	--
	012	- Premiums on Debentures	--	--
	013	- Recoveries of Expenditures	--	--
	015	- Insurance Proceeds	--	--
	016	- Native Peoples Grants	--	--
	017	- Miscellaneous – Funds for Debt servicing – Bussing	374,092	361,122
	018	- Provincial grants – Buses	--	--
		– Service Vehicle	--	37,632
		– Buildings	--	--
			374,092	398,754
Total Capital Receipts			811,319	683,031

Cont'd

See Accompanying Notes

Cont'd

Western School District
STATEMENT OF CHANGES IN CAPITAL FUND (Cont'd)
For the Year Ended June 30, 2011

			2011	2010
77		Transfer from Reserve Account	--	--
78		Transfer to/from Current Fund	(5,153,010)	(4,736,303)
		Add: Amortization of Capital Assets – Non cash items	5,151,383	4,478,988
Total			$ 809,692	$ 425,716
80		**Capital Disbursements**		
81		**Additions to Property & Equipment**		
	011	- Land and Sites	--	--
	012	- Building	--	--
	013	- Furniture & Equipment – School	--	26,962
	014	- Furniture & Equipment – Other	--	--
	015	- Service Vehicles	--	37,632
	016	- Pupil Transportation	435,600	--
	017	- Other (Specify)	--	--
			435,600	64,594
82		**Principal Repayment of Long-Term Debt**		
	011	- School construction	--	--
	012	- Equipment	--	--
	013	- Service Vehicles	--	--
	014	- Other (Specify)	--	--
		- Office	--	--
		- Pupil transportation	374,092	361,122
			374,092	361,122
83		**Miscellaneous Disbursements**		
	013	- Other (Specify)	--	--
		- Accounts payable	--	--
			--	--
		Total Capital Disbursements	$ 809,692	$ 425,716

See Accompanying Notes

Western School District
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

Nature of Operation

The Western School District is responsible for maintenance and operation of all schools in the Western, Southern and Northern portion of the Province of Newfoundland and Labrador. It also includes schools in the Southern portion of Labrador.

1. Significant Accounting Policies

(a) Fund Accounting

The accompanying financial statements have been prepared on a fund accounting basis which is generally accepted for School Boards. Fund accounting can be defined as "accounting procedures in which a self balancing group of accounts is provided for each fund." It is customary for School Boards to account separately for the current and capital funds. These financial statements include both the current and capital funds on a combined basis.

(b) Revenue

The District's main source of funding is derived from the Government of Newfoundland and Labrador, Department of Education. The Department provides funding for operations, transportation, capital expenditures and teacher salaries and severance pay. Funding designated for specific purposes is deferred and included in revenue when the related expenditures have been incurred.

(c) Capital Assets

Capital assets are recorded at cost derived from the combining of the predecessor school boards. Amortization of capital assets is recorded by use of the straight-line method over the estimated useful life of the assets using the following rates:

Building	40 Years
Furniture and Equipment	10 Years
Service Vehicle	5 Years
Buses	12 Years

(d) Use of Accounting Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting periods. Actual results could differ from those estimates.

Western School District
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

2. Accounts Receivable

		2011	2010
	Current		
11 131	Provincial Government	$ 13,695,733	$ 12,404,954
132	Transportation	57,412	28,085
133	Federal Government	--	--
134	Projects	148,555	170,765
135	HST Receivable	345,197	183,669
136	Bus Rentals	14,704	34,640
137	Water Program-Provincial	6,902	--
138	Interest	--	--
139	Travel Advances and Miscellaneous	156,066	164,225
	Capital		
11 231	Construction Grants	183,778	298,480
233	Local Contributions	--	--
234	Other School Districts	--	--
235	Other (Specify) – City of Corner Brook	--	--
		$ 14,608,347	$ 13,284,818

3. Bank Indebtedness

21 131	On Operating Credit	$ --	$ --
132	On Capital Account	--	--
		$ --	$ --

4. Accounts Payable and Accrued

		2011	2010
	Current		
21 109	Scholarship	$ 94,879	$ 115,312
110	Accounts payable-Trade	975,665	1,088,644
111	Accrued Liabilities	323,108	620,895
112	Wages Payable	209,190	138,844
113	- Deferred Grants	2,280,878	2,500,123
114	- Wages	--	--
115	Payroll Deductions	75,431	88,605
118	Other	--	--
119	Payroll Tax	--	--
		$ 3,959,151	$ 4,552,423
	Capital		
21 211	Trade Payable	$ --	$ --
212	Accrued – Liabilities	--	--
213	- Interest	--	--
217	Deferred Grants	--	--
218	Other (Specify)	--	--
		$ --	$ --

Western School District
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

5. Reserve Account

Description:

	2011	2010
Balance, Beginning of Year	$ 200,987	$ 200,987
Less Transfer from Reserve	--	--
Add Transfer to Reserve	--	--
Balance, End of Year	$ 200,987	$ 200,987

Western School District
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

		2011	2010
6.	Investment in Capital Assets, Beginning of Year	$ 80,915,637	$ 50,817,343
	Add:		
	Transfer To (From) Capital Fund	(5,151,383)	(4,736,303)
	Grants - EIC - Contribution for Capital Const.	--	--
	- Provincial grants-debt retirement.	--	--
	Capital projects funded by Department of Education but paid directly to other sources on behalf of District.	21,358,222	34,766,954
	Donations (Specify) – Playground Equipment	27,290	26,962
	Proceeds from Sale of Capital Assets		
	- Land	--	--
	- Building		257,315
	- Equipment	--	--
	- Vehicle	--	--
	- Other	--	--
	Interest on Capital Fund Investments		
	Recoveries of Expenditures – Prior	--	--
	Provincial Grant – Busses	--	--
	Provincial Capital Grant – Buildings	--	--
	Provincial Capital Grant – Service Vehicle	--	37,632
	Insurance Proceeds – Capital	--	--
	Native Peoples Grants – Capital	--	--
	Excess of Revenue over Expenditures		
	- Capital Fund		
	Principal - Bussing loan	374,092	361,122
	- Other	--	--
	Accumulated amortization on assets disposed	430,070	3,129,055
	Capital asset valuation adjustment	--	--
		97,953,928	84,660,080
	Deduct Adjustments:		
	Cost of assets sold		
	- Land	--	--
	- Building	381,506	3,744,443
	- Equipment	--	--
	- Vehicles	44,211	--
	- Other	67,178	--
		492,895	3,744,443
	Other	--	--
23 221	Investment in Capital Assets, End of Year	$ 97,461,033	$ 80,915,637

Western School District
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

7. Commitments

At balance sheet date the District had the following commitments:

8. Contingencies

As of statement date, the following material contingencies are pending:

(a) A former vendor of a predecessor School Board has a claim of approximately $30,000 plus HST. The amount has not been recorded in the accounts. The likelihood of loss to the District cannot be determined.

(b) The District has a potential liability for site restoration and remediation costs associated with a school property sold to a purchaser in 2004. The property had an oil leak from its underground storage tank prior to the sale of this property. As of audit report date, a claim has been filed in court but the likelihood of loss or an estimate of this loss cannot be determined.

(c) A former school teacher has filed a statement of claim in 2006 for wrongful dismissal. Discovery examination was conducted in September 2007, but no damages have been estimated. The likelihood of loss or an estimate of this loss cannot be determined.

9. District Equity (Deficit)

The School District has an accumulated operating deficit of $(24,209,324). A material amount of this operating deficit is contributed by a recorded teacher's severance pay accrual, non-teacher's severance pay accrual and executive paid leave accrual of $21,559,663, $2,275,475 and 629,914 respectively, as required by the Provincial Government.

Accumulated operating deficit per Financial statement	$ (24,209,324)
Less: teacher's severance pay accrual	21,559,663
: non-teacher's severance pay accrual	2,275,475
: executive paid leave accrual	629,914
Accumulated operating deficit less Severance pay and executive paid leave accrued	$ 255,728

Cont'd

10. Bond Coverage

As at June 30, 2011, the Insurance Division of the Department of Finance has provided $300,000 fidelity bond coverage for all District employees.

11. Comparative Figures

Certain 2010 figures have been reclassified to conform to 2011 financial statement presentation.

Western School District
CURRENT REVENUES
For the Year Ended June 30, 2011

		2011	2010
32 010	**Provincial Government Grants**		
011	Regular	$ 23,555,544	$ 22,609,845
016	Special Grants (Details on bottom of Schedule 1)	2,961,767	2,787,290
	Salaries and Benefits		
017	- Directors and Asst. Directors	1,381,764	1,256,711
021	- Regular Teachers	111,962,937	108,494,295
022	- Substitute Teachers	3,931,139	4,064,476
023	- Student Assistants	2,522,338	2,401,687
030	Pupil Transportation		
031	- Board Owned	3,496,180	3,230,026
032	- Contracted	4,335,007	4,427,983
033	- Handicapped	638,246	709,800
		$ 154,784,922	$ 149,982,113
33 010	**Donations**		
012	Cash Receipts	--	--
011	Heritage Fair	--	--
013	Non-Cash Receipts	--	--
014	Restricted Use	--	--
		--	--

Schedule 1 (Cont'd)

Western School District
CURRENT REVENUES
For the Year Ended June 30, 2011

		2011	2010
34 010	**Ancillary Services**		
011	Revenues from Rental of Residences	$ 10,300	$ 15,215
021	Revenues from Rental of Schools and Facilities (Net)	60,000	60,000
031	Cafeterias	31,249	35,474
032	Other – (Specify)	--	--
		101,549	110,689
35 010	**Miscellaneous**		
011	Interest on Investments	55,691	17,127
012	Bus Charters	48,020	41,964
021	Recoveries of Expenditures	50,642	22,388
031	Revenues from Other Agencies	--	--
041	Federal Rebates	--	--
051	Insurance Proceeds	--	6,117
061	Bilingual Education Revenue	--	--
071	Operating Rev. from Native Peoples Grant	--	--
081	Miscellaneous Federal Grants	--	--
091	Textbooks	--	--
092	Sundry	22,221	15,805
094	Scholarship Funds	--	--
		176,574	103,401
	Total Current Revenues	$ 155,063,045	$ 150,196,203
Special Grants			
	Fuel Adjustment	$ 74,891	$ (50,634)
	Learning Disabilities	--	--
	Debt Servicing	--	--
	Student Assistant Salaries	--	--
	Textbook Credit Allocation	--	--
	Pay Equity	--	--
	Administration – Textbook	--	--
	Payroll Tax	--	--
	Utilities	--	--
	Maintenance	--	--
	French Monitor	47,172	20,302
	French Immersion	62,761	24,098
	Peer Tutoring	--	--
	Bottle Water	--	--
	Administrative Pay adjustment	--	--
	Computers	--	--

Western School District
CURRENT REVENUES
For the Year Ended June 30, 2011

	2011	2010
Special Grants (Cont'd)		
Surplus – Substitutes	$ --	$ --
Kinder -- Start	--	--
Tutoring Work Experience	--	--
Other (Specify)		
-Miscellaneous grants	1,121,544	718,191
- Redundancy grant	--	--
- Maintenance reclassification	--	--
- Drama Festival	--	--
- Furniture	--	--
- Other Projects	751,678	1,527,137
- IGA Projects	41,775	72,999
- HRDC Grants	339,146	389,584
- School Board Elections	--	85,613
- Special Incentive	522,800	--
	$ 2,961,767	$ 2,787,290

Schedule 2

Western School District
ADMINISTRATION EXPENDITURES
For the Year Ended June 30, 2011

			2011		2010
51	**Salaries and Benefits**				
011	- Directors and Asst. Directors	$	1,368,737	$	1,899,652
012	- District Office Personnel		1,481,720		1,451,616
013	Office Supplies		66,955		81,232
014	Replacement Furniture and Equipment		16,122		32,552
015	Postage		72,840		64,776
016	Telephone		146,549		170,217
017	Office Equipment Rentals and Repairs		39,347		67,781
018	Bank Charges		2,527		2,817
019	Electricity		16,006		15,993
021	Fuel		36,565		30,611
022	Insurance		15,698		15,566
023	Repairs and Maintenance (Office Building)		24,363		30,716
024	Travel		259,373		222,518
025	Board Meeting Expenses		12,774		18,141
026	Election Expenses		--		77,040
027	Professional Fees		197,921		125,268
028	Advertising		184,810		180,586
029	Membership Dues		50,532		49,009
031	Municipal Service Fees		16,497		13,163
032	Rental of Office Space		--		--
033	Janitor Salaries/Supplies		7,630		5,568
034	Miscellaneous		2,560		10,047
035	Relocation Expenses		747		--
036	Redundancy		--		--
037	Capital Plan-Department		--		--
038	Amortization of Capital Assets		5,151,384		4,478,988
	Total Administration Expenditures	$	9,171,657	$	9,043,857

Schedule 3

Western School District

INSTRUCTION EXPENDITURES

For the Year Ended June 30, 2011

		2011	2010
52 010	**Instructional Salaries (Gross)**		
011	Teachers' Salaries – Regular	$ 113,183,795	$ 109,744,365
012	- Substitute	3,995,983	4,064,476
013	- District Paid	153,065	216,317
014	Student Assistants	2,492,127	2,401,687
015	Employee Benefits	--	--
016	School Secretaries – Secretaries & Benefits	2,898,481	2,758,743
017	Employee Benefits	--	--
018	Other – French Monitor	--	--
		122,723,451	119,185,588
52 040	**Instructional Materials**		
041	General Supplies	1,534,365	1,598,461
042	Library Resource Materials	--	--
043	Teaching Aids	209,802	213,830
044	Textbooks	--	--
		1,744,167	1,812,291
52 060	**Instructional Furniture and Equipment**		
061	Replacement	266,861	189,673
062	Rentals and Repair	7,221	887
063	Copier Cost	127,520	188,905
064	Replacement – Computer Equipment	496,193	353,854
065	Computer Repairs	58,989	51,705
		956,784	785,024
52 080	**Instructional Staff Travel**		
081	Program Coordinators	652,747	389,858
082	Teachers' Travel	349,816	401,520
083	Teacher Travel	--	--
084	Student Travel	30,826	28,160
		1,033,389	819,538
52 090	**Other Instructional Costs**		
091	Postage and Stationery	--	--
092	Miscellaneous	11,360	10,805
097	Other District Projects	821,372	1,568,700
098	IGA Projects	41,925	73,340
099	HRDC Projects	338,573	398,864
		1,213,230	2,051,709
	Total Instruction Expenditures	$ 127,671,021	$ 124,654,150

Western School District

OPERATIONS AND MAINTENANCE EXPENDITURES - SCHOOLS

For the Year Ended June 30, 2011

		2011	2010
53 011	Salaries & Benefits - Janitorial	$ 4,940,487	$ 5,065,888
012	- Maintenance	1,527,250	1,648,991
013	- IT Support	893,309	792,230
014	Electricity	3,056,198	2,903,273
015	Fuel	1,097,518	916,018
016	Municipal Service Fee	681,383	503,456
017	Telephone	486,380	474,870
018	Vehicle Operating and Travel	296,627	282,587
019	Janitorial Supplies	222,770	320,848
021	Janitorial Equipment	43,018	5,487
022	Repairs and Maintenance - Buildings	1,390,217	1,203,585
023	- Equipment	24,068	14,370
024	Protective Clothing	11,372	16,327
025	Snow Clearing	816,619	435,251
026	Rentals	--	--
027	Other (Specify) - Repairs Covered By Insurance	--	--
	Total Operations and Maintenance	$ 15,487,216	$ 14,583,181

Western School District
PUPIL TRANSPORTATION EXPENDITURE
For the Year Ended June 30, 2011

		2011	2010
54 010	Operation and Maintenance of Board Owned Fleet		
011	Salaries - Administration	$ 200,240	$ 212,445
012	- Drivers and Mechanics	1,964,568	1,862,030
013	Payroll Tax and Benefits	--	--
014	Debt Repayment - Interest	51,729	42,317
015	- Principal	374,093	361,212
016	Bank Charges	--	--
017	Gas and Oil	389,138	349,222
018	Licenses	44,113	39,436
019	Insurance	38,221	38,100
021	Repairs and Maintenance - Fleet	248,824	204,254
022	- Building	173,948	2,009
023	Tires and Tubes	37,964	31,095
024	Heat and Light	33,182	23,943
025	Municipal Service	4,893	2,385
026	Snow Clearing	11,051	13,224
027	Office Supplies	6,598	7,865
028	Rent	--	--
029	Travel	2,640	3,015
030	Protective Clothing	119	--
031	Professional Fees	--	1,300
032	Miscellaneous	46,152	68,195
033	Telephone	33,743	29,198
034	Vehicle Leases	334	--
035	Cleaning – Bus Depot	--	--
		3,661,550	3,291,245
54 040	**Contracted Services**		
041	Regular Transportation	4,335,007	4,400,484
042	Handicapped	638,246	709,800
043	Miscellaneous	--	49,196
044	Fuel Adjustment Program	74,891	(50,634)
		5,048,144	5,108,846
	Pupil Transportation Expenditures	$ 8,709,694	$ 8,400,091

Schedule 6

Western School District
PUPIL TRANSPORTATION EXPENDITURE
For the Year Ended June 30, 2011

Ancillary Services

This District owns and operates the following ancillary services:

		2011	2010
55	**Ancillary Services**		
011	Operation of Teachers' Residences	$ 5,249	$ 7,881
031	Cafeterias	29,991	37,765
032	Other (Specify)	--	--
		$ 35,240	$ 45,646

Schedule 7

Miscellaneous Expenses (Specify)

The District has incurred the following miscellaneous expenses:

	2011	2010
57 011 Miscellaneous Expenses		
- Human Resources Expenses	$ 108,822	$ 58,247
- Other	2,678	11
	$ 111,500	$ 58,258

Schedule 8

Western School District
Details of Property and Equipment
For The Year Ended June 30, 2011

		Cost 30-Jun-10	Additions	Adjustment and Disposals	Cost 30-Jun-11	Accumulated Amortization 30-Jun-10	Amortization	Adjustment	Accumulated Amortization 30-Jun-11	Net Book Value
12211	Land and Sites	$ 1,977,719	$ -	$ -	$ 1,977,719	$ -	$ -	$ -	$ -	$ 1,977,719
	Buildings									
12221	Schools	$ 184,123,323	$ 21,358,222	$ 381,506	$205,100,039	$ 106,007,653	$ 4,685,251	$ (324,280)	$110,368,624	$ 94,731,415
12222	Administration	2,145,867	-	-	2,145,867	1,903,534	21,905	-	1,925,439	220,428
12223	Residential	168,021	-	-	168,021	157,520	2,100	-	159,620	8,401
		$ 186,437,211	$ 21,358,222	$ 381,506	$207,413,927	$ 108,068,707	$ 4,709,256	$ (324,280)	$112,453,683	$ 94,960,244
	Furniture and Equipment									
12231	Schools	$ 11,555,278	$ 27,290	$ -	$ 11,582,568	$ 11,528,316	$ 5,425	$ -	$ 11,533,741	$ 48,827
12232	Administration	970,429	-	-	970,429	970,429	-	-	970,429	-
12233	Residential	1,534	-	-	1,534	1,534	-	-	1,534	-
12234	Recreation	87,005	-	-	87,005	87,005	-	-	87,005	-
12235	Other	5,450	-	-	5,450	5,450	-	-	5,450	-
		$ 12,619,696	$ 27,290	$ -	$ 12,646,986	$ 12,592,734	$ 5,425	$ -	$ 12,598,159	$ 48,827
12241	Service Vehicles	$ 416,811	$ -	$ 44,211	$ 372,600	$ 270,193	$ 48,595	$ (44,212)	$ 274,576	$ 98,024
	Public Transportation									
12253	Buses	$ 4,833,755	$ 435,600	$ 67,178	$ 5,202,177	$ 2,810,863	$ 388,107	$ (61,579)	$ 3,137,391	$ 2,064,786
	Total	$ 206,285,192	$ 21,821,112	$ 492,895	$227,613,409	$ 123,742,497	$ 5,151,383	$ (430,071)	$128,463,809	$ 99,149,600

Schedule 9

Western School District

DETAILS OF LONG-TERM DEBT

For the Year Ended June 30, 2011

Bank loans, mortgage and debentures,
approved by the District and the Government
of Newfoundland and Labrador

		2011	2010
22 210	Loans Other than Pupil Transportation		
Ref. #			
211	**Bank Loans**		
	____ Repayable $ ____ monthly, maturing ____	$ --	$ --
	____ Repayable $ ____ monthly, maturing ____	--	--
	____ Repayable $ ____ monthly, maturing ____	--	--
	____ Repayable $ ____ monthly, maturing ____	--	--
	____ Repayable $ ____ monthly, maturing ____	--	--
	____ Repayable $ ____ monthly, maturing ____	--	--
	Total 211	--	--
212	**Mortgages**		
	____ Repayable $ ____ monthly, maturing ____	--	--
	____ Repayable $ ____ monthly, maturing ____	--	--
	____ Repayable $ ____ monthly, maturing ____	--	--
	____ Repayable $ ____ monthly, maturing ____	--	--
	____ Repayable $ ____ monthly, maturing ____	--	--
	____ Repayable $ ____ monthly, maturing ____	--	--
	Total 212	--	--
213	**Debentures**		
	____ Repayable $ ____ monthly, maturing ____	--	--
	____ Repayable $ ____ monthly, maturing ____	--	--
	Total 213	--	--
214	Other (Please Specify)	--	--
	Subtotal	--	--
215	Less Current Maturities	--	--
	Total Loans Other Than Pupil Transportation	$ --	$ --

Schedule 9 (cont'd)

Western School District
DETAILS OF LONG-TERM DEBT
For the Year Ended June 30, 2011

22 220 Loans – Pupil Transportation

	Ref. #	2011	2010
221	**Vehicle Bank Loans**		
	Prime Repayable $ 516 monthly, maturing 2011	$ --	$ 6,194
	Prime Repayable $ 523 monthly, maturing 2011	1,046	7,320
	Prime Repayable $ 521 monthly, maturing 2011	6,253	12,506
	Prime Repayable $ 523 monthly, maturing 2012	12,028	18,305
	Prime Repayable $ 542 monthly, maturing 2017	33,603	40,107
	Prime Repayable $ 548 monthly, maturing 2014	19,712	26,283
	Prime Repayable $ 960 monthly, maturing 2011	--	3,316
	Prime Repayable $ 2,456 monthly, maturing 2012	14,736	44,208
	Prime Repayable $ 4,954 monthly, maturing 2012	59,445	118,891
	Prime Repayable $ 3,662 monthly, maturing 2013	87,879	131,818
	Prime Repayable $ 1,095 monthly, maturing 2015	40,521	53,663
	Prime Repayable $ 1,117 monthly, maturing 2016	58,095	71,502
	Prime Repayable $ 1,675 monthly, maturing 2016	87,075	107,170
	Prime Repayable $ 542 monthly, maturing 2017	34,145	40,649
	Prime Repayable $ 4,530 monthly, maturing 2018	344,279	398,638
	Prime Repayable $ 5,930 monthly, maturing 2019	527,799	598,963
	Prime Repayable $ 3,025 monthly, maturing 2022	414,425	--
	Total 221	$ 1,741,041	$ 1,679,533
222	**Land, Building and Equipment Bank Loans**		
	_____ Repayable $ _____ monthly, maturing ____	--	--
	_____ Repayable $ _____ monthly, maturing ____	--	--
	_____ Repayable $ _____ monthly, maturing ____	--	--
	_____ Repayable $ _____ monthly, maturing ____	--	--
	_____ Repayable $ _____ monthly, maturing ____	--	--
	_____	--	--
	Total 222	--	--
	Subtotal	1,741,041	1,679,533
223	Less Current Maturities	359,742	352,917
	Total Loans – Pupil Transportation	1,381,299	1,326,616
	Total Long Term Debt	$ 1,381,299	$ 1,326,616

Schedule 9A

Western School District

SUMMARY OF LONG-TERM DEBT

For the Year Ended June 30, 2011

Description	Ref. #	Rate	Balance Beginning Of Year	Loans Obtained During Year	Principal Repayment For Year	Balance End of Year
A) School Construction			$ --	$ --	$ --	$ --
B) Equipment			--	--	--	--
C) Service Vehicle		Prime	--	--	--	--
D) Other – Office			--	--	--	--
E) Pupil Transportation		Prime	1,679,533	435,600	374,092	1,741,041
Total Loans			$ 1,679,533	$ 435,600	$ 374,092	$ 1,741,041

Schedule 9B

Western School District

DETAILS OF CURRENT MATURITIES

For the Year Ended June 30, 2011

Description	Year 1	Year 2	Year 3	Year 4	Year 5
A) School Construction	$ --	$ --	$ --	$ --	$ --
B) Equipment	--	--	--	--	--
C) Service Vehicles	--	--	--	--	--
D) Other – Office	--	--	--	--	--
E) Pupil Transportation	359,742	277,737	228,045	209,428	180,578
Total	$ 359,742	$ 277,737	$ 228,045	$ 209,428	$ 180,578

Western School District

56 010

SCHEDULE OF INTEREST EXPENSE

For the Year Ended June 30, 2011

	Description	2011	2010
012	**Capital**		
	School Construction	$ --	$ --
	Equipment	--	--
	Service Vehicles	--	--
	Other – Office	--	--
	Total Capital	--	--
013	**Current** - Operating Loans	--	--
014	- Supplier Interest Charges	234	--
	Total Current	234	--
	Total Interest Expense	$ 234	$ --

Western School District
SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2011

1. **Cash**

			2011	2010
		Current		
11	110	Cash on Hand and in Bank		
	111	Cash on Hand	$ 585	$ 585
	112	Bank - Current	2,862,559	4,284,413
	113	- Savings	--	--
	115	- Non-Teachers; Payroll	--	--
	116	- Coupon (Debenture)	--	--
	117	- Other (Specify)	--	--
		Capital		
11	210	Cash on Hand and in Bank	--	--
	211	Cash on Hand	--	--
	212	Bank - Current	--	--
	213	- Savings	--	--
	214	- Other (Specify)	--	--
		Total Cash on Hand & in Bank	$ 2,863,144	$ 4,284,998

2. **Short Term Investments**

			2011	2010
11	121	Term Deposits -- Scholarships	$ 94,879	$ 115,312
	122	Term Deposits -- Other	42,876	42,812
	123	Other (Specify)	--	--
		Capital		
11	221	Term Deposits	--	--
	222	Canada Savings Bonds	--	--
	223	Other (Specify)	--	--
		Total Short Term Investments	$ 137,755	$ 158,124

Western School District
SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2011

			2011	2010
3.		**Prepaid Expenses**		
		Current		
11	141	Insurance	$ --	$ --
	142	Municipal Service Fees	--	--
	143	Work, Health Safety and Commissions	219,473	238,290
	144	Other (Specify) --Travel Advances	2,000	2,000
		-- Supplies	--	--
		-- Legal Fees	--	--
		Capital		
11	241	Other (Specify)	--	--
			$ 221,473	$ 240,290

Workplace Health, Safety and Compensation Commission
Financial Statements
December 31, 2011

Management responsibility for financial reporting

The financial statements of the Workplace Health, Safety and Compensation Commission were prepared by management who are responsible for the integrity and fairness of the data presented, including significant accounting judgments and estimates. This responsibility includes selecting appropriate accounting principles consistent with International Financial Reporting Standards. Financial information contained elsewhere in this Annual Performance Report is consistent with these financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains a system of accounting and reporting which provides for the necessary internal controls designed to provide reasonable assurance that relevant and reliable financial information is produced and that assets are properly safeguarded. The Internal Auditor performs audits designed to test the adequacy and consistency of the Commission's internal controls, practices and procedures.

The Board of Directors oversees management responsibility for financial reporting through its Financial Services Committee. The Financial Services Committee oversees the external audit of the Commission's annual financial statements and the accounting and financial reporting and disclosure processes and policies of the Commission. The Financial Services Committee meets with management, the independent actuary and the independent auditors to discuss the results of the audit, the adequacy of internal accounting controls and the quality and integrity of financial reporting. The Commission's annual financial statements are reviewed by the Financial Services Committee with each of management and the external auditors before being recommended to the Board of Directors for approval.

The firm of Morneau Shepell has been appointed as independent consulting actuary to the Commission. Its role is to complete an independent actuarial valuation of the benefit liabilities of the Commission on an annual basis and to report thereon in accordance with generally accepted actuarial principles.

Ernst & Young, LLP, the external auditors of the Commission, have performed an independent audit of the 2011 financial statements of the Commission in accordance with Canadian generally accepted auditing standards. The Independent Auditors' Report outlines the scope of this independent audit and the opinion expressed.

Paul Kavanagh

Leslie Galway
Chief Executive Officer

Paul Kavanagh
Chief Financial & Information Officer

ACTUARIAL STATEMENT OF OPINION

I have completed the actuarial valuation of the benefit liabilities of the Workplace Health, Safety and Compensation Commission of Newfoundland and Labrador (the "Commission") as at December 31, 2011 (the "valuation date"). Details of the data, actuarial assumptions, valuation methods and results are included in the actuarial valuation report as at the valuation date, of which this statement of opinion forms part. In my opinion:

1. The estimate of the actuarial liabilities for assessed employers as at the valuation date is $858,640,468. This includes provisions for benefits and future administration expenses expected to be paid after the valuation date for claims that occurred on or before the valuation date. Self-insured employers, and future claims arising from long latency occupational diseases are not included in this valuation.
2. The data on which the valuation is based were supplied by the Commission in accordance with specifications provided by us. We applied such checks of reasonableness of the data as we considered appropriate, and have concluded that the data are sufficient and reliable to permit a realistic valuation of the liabilities of the Commission.
3. The actuarial assumptions adopted in computing the liabilities are appropriate for the purpose of the valuation.
4. The methods used are appropriate for the purpose of the valuation and in accordance with accepted actuarial practice for workers compensation organizations in Canada. The economic assumptions are consistent with the long-term financial strategy and long-term investment policies of the Commission. The discount rates used are disclosed in note 14 to the financial statements.
5. The amount of the actuarial liabilities makes appropriate provision for all personal injury compensation obligations (excluding long latency occupational diseases) and the financial statements fairly present the results of the valuation.
6. This report has been prepared, and my opinions given, in accordance with accepted actuarial practice in Canada.
7. The valuation is based on the provisions of the Workplace Health, Safety and Compensation Act of Newfoundland and Labrador and on the Commission's policies and practices in effect on the valuation date.

Conrad Ferguson, F.C.I.A.

Morneau Shepell Ltd.
March 14, 2012

This report has been peer reviewed by Howard Slaney, F.C.I.A.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Workplace Health, Safety and Compensation Commission

We have audited the accompanying financial statements of **Workplace Health, Safety and Compensation Commission**, which comprise the statements of financial position as at December 31, 2011 and 2010, and January 1, 2010, and the statements of operations and comprehensive income, changes in fund deficiency and cash flows for the years ended December 31, 2011 and 2010, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Workplace Health, Safety and Compensation Commission** as at December 31, 2011 and 2010, and January 1, 2010, and its financial performance and its cash flows for the years ended December 31, 2011 and 2010 in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Chartered Accountants

St. John's, Canada,
April 4, 2012

Statement of FINANCIAL POSITION

as at December 31

(thousands of dollars)	**2011**	2010	January 1 2010
Assets			
Cash and cash equivalents	**$ 15,672**	$ 7,885	$ 101
Accounts receivable [note 5]	**11,750**	10,432	13,865
Investments [note 6]	**755,819**	767,954	708,790
Property, plant and equipment [note 9]	**8,632**	8,969	9,404
Intangible assets [note 10]	**15,073**	14,370	12,165
	806,946	809,610	744,325
Liabilities			
Accounts payable and accrued liabilities [note 12]	**15,262**	15,941	12,252
Employee future benefits [note 15]	**4,673**	4,137	3,461
Benefit liabilities [note 14]	**858,641**	839,301	831,299
Total liabilities	**878,576**	859,379	847,012
Fund deficiency	**(71,630)**	(49,769)	(102,687)
	$ 806,946	$ 809,610	$ 744,325

Commitments [note 23]

Contingencies [note 24]

Authorized for issue on April 4, 2012 on behalf of the Board of Directors

Ralph Tucker	Darren Roberts
Chairperson	*Director*

See accompanying notes.

Statement of OPERATIONS and COMPREHENSIVE INCOME
Year ended December 31

(thousands of dollars)	2011	2010
Revenue		
Assessments revenue [note 13]	$ 188,367	$ 166,220
Investment (loss) income [note 7]	(11,602)	65,217
Third-party recoveries [note 3]	1,049	1,080
	177,814	232,517
Expenses		
Claims costs incurred [note 14]		
Short-term disability	29,913	29,883
Long-term disability	65,138	65,496
Survivor benefits	5,359	5,843
Health care	48,224	42,614
Rehabilitation	1,544	1,288
Future administration costs	3,911	3,875
	154,089	148,999
Administration [note 16]	32,543	30,170
Actuarial adjustments [note 14]	(1,245)	(12,458)
Legislated obligations [note 17]	6,952	6,649
Fees and interest [note 7]	3,245	2,627
Amortization [notes 9 and 10]	2,491	2,179
Other expenses [note 18]	1,520	1,258
	199,595	179,424
Comprehensive (loss) income	$ (21,781)	$ 53,093

See accompanying notes.

Statement of CHANGES IN FUND DEFICIENCY

Year ended December 31

(thousands of dollars)	**2011**	2010	January 1 2010
Accumulated operating deficit			
Balance, beginning of year	**$ (50,409)**	$ (103,502)	$ (103,502)
Comprehensive (loss) income	**(21,781)**	53,093	-
	(72,190)	(50,409)	(103,502)
Reserves			
Occupational Health and Safety Research [note 19]	**560**	640	815
Fund deficiency, end of year	**$ (71,630)**	$ (49,769)	$ (102,687)

See accompanying notes.

Statement of CASH FLOWS
Year ended December 31

(thousands of dollars)	2011	2010
Cash flow from operating activities		
Cash received from:		
Employers, for assessments	$ 186,593	$ 165,797
Interest	10,930	4,236
Dividends	10,181	15,525
Third parties	1,049	4,976
	208,753	190,534
Cash paid to:		
Claimants or third parties on their behalf	(133,504)	(128,539)
Suppliers and employees, for administrative and other goods and services	(41,158)	(33,911)
Investment Manager, interest & other fees	(2,582)	(2,414)
Third party, from reserve fund	(80)	(175)
	(177,324)	(165,039)
Net cash provided from operating activities	31,429	25,495
Cash flows from investing activities		
Net purchase of investments	(20,785)	(13,759)
Purchase of capital and intangible assets	(2,857)	(3,952)
Net cash used for investing activities	(23,642)	(17,711)
Net change in cash and cash equivalents	7,787	7,784
Cash and cash equivalents		
Beginning of year	7,885	101
End of year	$ 15,672	$ 7,885

See accompanying notes.

1. NATURE OF OPERATIONS

The Workplace Health, Safety and Compensation Commission (the Commission) was established by the Newfoundland Legislature in 1951, under the *Workplace Health, Safety and Compensation Act* (the *Act*), as amended. The Commission is a legislative incorporated entity with no share capital. The main office of the Commission is located at 146-148 Forest Road, St. John's, Newfoundland and Labrador, Canada. The Commission operates two regional offices in Newfoundland in Grand Falls-Windsor and Corner Brook.

The Commission is responsible for, in accordance with the provisions of the *Act,* preventing and reducing the occurrence of workplace injuries and diseases through the promotion of health and safety in workplaces; the establishment of occupational health and safety certification standards and certification of trainers; facilitating the claims management process and administering the payment of benefits to injured workers and dependents of fatally injured workers; levying and collecting assessment revenues from established classes of employers in amounts sufficient to cover the current and future costs of existing claims; and investing funds, following investment policies which are approved by the Commission within guidelines established under the *Insurance Companies Act* (Canada). An independent Workplace Health, Safety and Compensation Review Division is established under the *Act* to make rulings on any appeals pertaining to the Commission's assessment or benefit decisions. The Commission does not receive government funding or other assistance.

The funds, investments and income of the Commission are free from taxation pursuant to Section 10(2) of the *Act.*

2. BASIS OF PREPARATION

Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) in effect as of December 31, 2011. These standards have been adopted by the Accounting Standards Board of Canada as generally accepted accounting principles (GAAP) for publicly accountable enterprises for years beginning on or after January 1, 2011. Accordingly, the Commission has commenced reporting on this basis in these financial statements. The Commission's transition date to IFRS was January 1, 2010 ("Transition Date"). The Commission prepared its opening IFRS balance sheet as at that date. The Commission's IFRS adoption date is January 1, 2011 ("Adoption Date"). Financial statements were previously prepared in accordance with Canadian generally accepted accounting principles (Canadian GAAP).

2. BASIS OF PREPARATION (continued)

Subject to certain transition exemptions and elections available under IFRS 1 "First-time Adoption of International Financial Reporting Standards" disclosed in Note 25, the Commission has consistently applied the same accounting policies in its opening IFRS statement of financial position at January 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 25 discloses the impact of the transition on the Commission's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Commission's financial statements for the year ended December 31, 2010.

Going concern

The Commission has assessed the relevant financial and economic indicators and has determined that there is an ability to operate as a going concern, as supported by the funding strategy in place for the elimination of the unfunded liability.

Basis of measurement

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value as explained in the significant accounting policies below. Historical cost is based on the fair value of the consideration given in exchange for assets.

The financial statements are presented in Canadian currency, (unless otherwise indicated).

3. SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents include cash, bank overdrafts and short-term investments in money market instruments with original maturity dates at time of purchase of three months or less, are recorded at fair value.

Assessments revenue

At the beginning of each year, an assessment is levied on employers by applying their industry assessment rate to their estimated payrolls at which point revenue is recognized. The assessment levy is payable by installments within the current year. At year-end, assessment revenue is adjusted based on a review of the employers' actual payrolls, as well for the estimate of practice incentive refunds which are payable to the employers under the Prevention & Return to Work Insurance Management for Employers/ Employees Program (PRIME). Assessment revenue also includes payments from self-insured employers, who directly bear the costs of their own incurred claims and their share of administration costs.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts receivable

Due to varying economic conditions, actual employers' payrolls may differ from original estimates. Therefore, at year-end, a provision for accrued assessments is included in accounts receivable based on historical assessment information.

Property, plant and equipment

Property, plant and equipment are reported at cost, less accumulated amortization. These assets are amortized on a straight-line basis over their estimated useful lives, as follows:

Building	40 years
Furniture and equipment	10 years
Computer equipment	1 to 5 years
Equipment under capital lease	3 to 5 years

The useful lives of items of property, plant and equipment are reviewed at each balance sheet date and adjusted if required. As well, property, plant and equipment are reviewed for impairment whenever there are indications that the carrying value may not be recoverable.

Intangible assets

Intangible assets, which include purchased software and internally developed systems are recorded at cost and are amortized monthly on a straight-line basis over their estimated useful lives of ten years. Intangible assets are reviewed for impairment when there are indications that the carrying value may not be recoverable and if an asset is deemed impaired, its carrying value is reduced to the net recoverable amount.

Benefit liabilities

The benefit liabilities represent the actuarial present value of all future benefit payments expected to be made for injuries which occurred in the current fiscal year or in any prior year. The benefit liabilities include a provision for all benefits provided by current legislation, policies and/or business practices in respect of existing claims and for future costs of administering claims. No provision has been made for future claims related to latent occupational disease, because these cannot be reasonably estimated.

The benefit liabilities were determined using accepted actuarial practices in accordance with the standards established by the Canadian Institute of Actuaries.

Benefit liabilities related to self-insured employers will be the responsibility of those employers when paid in future years. Accordingly, these benefit liabilities have not been determined by actuarial valuation and thus are not included in the Commission's benefit liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into their Canadian dollar equivalent using exchange rates in effect on the reporting date. Revenues and expenses are translated using exchange rates in effect at the transaction date. Realized and unrealized exchange gains or losses are included in comprehensive income.

Investments

Investments are designated as fair value through profit and loss (FVTPL). Realized gains and losses on the sale of investments, and unrealized gains and losses arising from the change in fair value of the investments are recorded in investment income during the period in which they arise. All purchases and sales of investments are recognized on the dates the trades are executed. Income from interest and dividends are recognized as investment income in the period earned.

The fair value of publicly traded investments is based on quoted prices from security exchanges, while that of domestic real estate investments is based on independent appraisals, and pooled fund units are valued at their year-end net asset values. Asset backed commercial paper (ABCP) is valued using a discounted cash flow model.

Financial instruments

The Commission's financial instruments consist of cash and cash equivalents, accounts receivable, investments, accounts payable and accrued liabilities and derivatives. The carrying value of financial instruments, with the exception of investments and derivatives, approximate fair value due to their immediate or short-term maturity and normal credit terms. The fair value of investments is based on quoted market prices.

The following is a summary of the accounting model the Commission has elected to apply to each of its significant categories of financial instruments.

Asset/Liability	Classification	Measurement
Cash and cash equivalents	FVTPL	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Investments	FVTPL	Fair value
Derivatives	Held-for-trading	Fair value
Accounts payables and accrued liabilities	Other liabilities	Amortized cost

Derivatives are financial contracts whose price is dependent on the price of one or more underlying securities. The notional principal amounts, upon which payments are based, are not recognized in these financial statements.

The fair value of the Commission's derivative positions is determined by the following methods:

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

1) Interest rate swaps, forward foreign exchange contracts and currency swaps are valued based on discounted cash flows using current market yields and exchange rates.

2) Future contracts are valued based on quoted market prices.

Financial instruments are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1	Valuation based on quoted prices [unadjusted] in active markets for identical assets or liabilities.
Level 2	Valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly [i.e., as prices] or indirectly [i.e., derived from prices].
Level 3	Valuation techniques using inputs for the asset or liability that are not based on observable market data [unobservable inputs].

Financial instruments included in level 1 of the fair value hierarchy consist of cash and cash equivalents and equities. All other financial instruments are included in level 2, with the exception of asset-backed commercial paper which is included in level 3.

Annual leave and post-employment benefits
Annual leave is accounted for on an accrual basis in the period during which employees render service.

Employees participate in the Province of Newfoundland and Labrador's Public Service Pension Plan [PSPP], a multi-employer defined benefit plan. The employer's contributions are expensed as incurred.

The Commission provides a severance payment upon resignation, retirement or termination. The expected cost of providing this employee future benefit is accounted for on an accrual basis and has been actuarially determined using the projected benefit method prorated on service, and management's best estimate of salary escalation, and retirement ages of employees. Discount rates are based on the market yields of high quality corporate bonds. Actuarial gains and losses are recognized immediately through the statement of operations.

Third-party recoveries
In certain circumstances, under Section 45 of the *Workplace Health, Safety and Compensation Act,* the Commission is deemed to be an assignee of a cause of action in respect of a claimant disability. The amount by which settlements exceed the cost of the

action, including administration and future benefit entitlement, is paid to the worker or dependents. Amounts received from third-party recoveries are recorded in the year during which the settlement occurs. No provision is made in the benefit liability for possible future third-party recoveries due to their contingent nature.

Reserves

In accordance with Section 20.5 (1) of the *Act*, the Commission maintains a special reserve fund for the purpose of health and safety research. The *Act* permits the Commission to allocate up to a maximum of 2% of its total assessment and investment income in each calendar year to establish and maintain this special fund.

In accordance with Section 116 (1) of the *Act*, the Commission may, at its discretion, establish reserves for the following:

- to meet an increase in the capitalization of compensation payments payable in future years where the increase cannot be provided without placing an undue burden on the employers in an industrial classification;
- to meet the loss arising from a disaster or other circumstances which would unfairly burden the employers in an industrial classification; or
- subject to the approval of the Lieutenant-Governor in Council, to meet the costs of particular needs of the Commission that it considers necessary.

Future accounting pronouncements

The Commission monitors the activities of the International Accounting Standards Board (IASB) and considers the impact that changes in the standards may have on the Commission's financial reporting. Some of the ongoing projects which may impact the Commission are as follows:

IFRS 4, Insurance Contracts

In July 2010, the IASB issued an exposure draft proposing a comprehensive measurement approach for all types of insurance contracts. The Commission is analyzing the impact this new standard will have on its financial statements. It is anticipated that the IASB will issue a review draft or a re-exposure draft in the first half of 2012.

IAS 17, Leases

The IASB has issued an exposure draft which proposes a new single approach to lease accounting that would ensure that all assets and liabilities arising under lease contracts are recognised in the statement of financial position. The Commission is analyzing the impact this new standard will have on its financial statements. It is anticipated that the IASB will issue a second re-exposure draft in the second quarter of 2012.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

IAS 19: Employee Benefits

The IASB has issued a revised standard on employee benefits which is applicable for years beginning on or after January 1, 2013. The revised standard will require the impact of changes in actuarial assumptions from year to year be recorded in other comprehensive income rather than the Commission's current practice of recording through the statement of operations.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Benefit liabilities

An actuarial valuation of the benefit liabilities is prepared by an independent firm of consulting actuaries who have rendered their opinion that the valuation was prepared in accordance with accepted actuarial practice, and that the actuarial assumptions are appropriate.

The Commission believes that the amount provided for benefit liabilities as at December 31, 2011, is adequate, recognizing that actuarial assumptions as disclosed in note 14 may change over time to reflect underlying economic trends. Such changes could possibly cause a material change in the actuarial present value of the future payments.

Assessments revenue

Accounts receivable at year-end include an estimate of annual premium revenues for the year that have not yet been received from employers. The recorded amounts are based upon management's best information and judgment, with regards to actual experience in preceding years. However, until all employers actually submit their final annual payroll information to the Commission, the recorded assessments revenues for the year and the estimated amounts receivable at year-end are subject to measurement uncertainty.

5. ACCOUNTS RECEIVABLE

(thousands of dollars)	**2011**	2010	Jan. 1, 2010
Assessments	**$ 9,784**	$ 7,309	$ 8,298
Less: Allowance for doubtful accounts	**4,071**	3,709	4,092
	5,713	3,600	4,206
Accrued assessments	**3,318**	4,565	4,300
Third-party recoveries	**-**	-	3,932
Other	**2,719**	2,267	1,427
	$ 11,750	$ 10,432	$ 13,865

6. INVESTMENTS

(thousands of dollars)	2011		2010		Jan. 1, 2010	
	Fair value	**Cost**	Fair value	Cost	Fair value	Cost
Fixed term	**$ 266,066**	**$ 258,359**	$ 251,387	$ 253,229	$ 237,344	$ 239,694
Equities	**476,438**	**446,284**	516,567	493,116	471,446	476,925
Real Estate	**13,315**	**12,333**	-	-	-	-
	$ 755,819	**$ 716,976**	$ 767,954	$ 746,345	$ 708,790	$ 716,619

Asset-Backed Commercial Paper

Included in fixed-term investments is the Commission's investment in third-party sponsored ABCP. As part of the ABCP restructuring plan completed on January 21, 2009, the Commission's interest in the ABCP was replaced with a number of long term floating rate notes ("the Notes").

The Commission has undertaken a fair value estimation as of December 31, 2011 using a methodology consistent with that of the previous year. Due to the lack of an active market, the methodology employed a discounted cash flow model which considered the specific characteristics of the Notes.

Based on this exercise, the Commission estimated that as at December 31, 2011 the range of fair values varied between $2,301,000 and $2,464,000. The Commission's estimate of fair value is $2,380,000. There can be no assurance that this estimate will be realized. Subsequent adjustments, which could be material, may be required in future reporting periods. The table below summarizes the Commission's valuation as at December 31.

(thousands of dollars)		Fair Value		Expected
	Par value	**2011**	**2010**	**Maturity date**
MAV 2 Notes				
A1 [rated A]	$ 2,500	$ 2,104	$ 2,013	01/07/2017
C	78	20	1	01/07/2017
Class 13 - tracking notes	393	256	202	03/20/2014
Total investment	$ 2,971	$ 2,380	$ 2,216	

6. INVESTMENTS (continued)

Derivatives

Derivatives are financial contracts whose price is dependent upon the price of one or more underlying securities, reference rates or indices. The investment portfolio does not contain any derivatives intended for speculation purposes and does not hold derivatives on a segregated basis but does have indirect exposure through its pooled fund investments. Derivatives are classified as held-for-trading instruments and any changes in fair value resulting from marking derivative contracts to market are recognized in investment income. At December 31, 2011 the fair value of the Commission's derivative portfolio was $271,919 [notional value of $13,542,470]. Derivative instruments held at December 31, 2010 had a fair value of $193,695 [notional value of $3,716,000].

7. INVESTMENT (LOSS) INCOME

Investment (loss) income is comprised of the following:

(thousands of dollars)	**2011**	2010
Interest and dividends	**$ 21,111**	$ 20,523
Realized (loss) gain on sale of investments	**(23,906)**	3,674
Interest on short-term investments	**412**	137
Unrealized (loss) gain on change in fair market value of investments	**(9,219)**	40,883
Net investment (loss) income	**$ (11,602)**	$ 65,217

Fees and interest are comprised of the following:

(thousands of dollars)	**2011**	2010
Fund Managers' Investment Fees	**$ 2,569**	$ 2,394
Banking Fees	**135**	144
Bad Debt expense	**456**	(39)
Interest paid to claimants	**85**	128
Fees and interest	**$ 3,245**	$ 2,627

8. RISK MANAGEMENT

The Commission manages its investment portfolio in accordance with its long-term investment policy. The investment risk inherent in an investment portfolio is managed

8. RISK MANAGEMENT (continued)

through diversification in both asset classes and investments within each asset class. The Commission also engages a number of different fund managers with a broad range of investment philosophies and styles.

The Board of Directors is ultimately responsible for the governance and strategic direction of the Commission's investments through its review and approval of the long-term investment policy and ensuring adherence to the policy. Management is responsible for monitoring performance, regular reporting to the Board, and recommending changes in the investment policy or fund managers. The Board and Management use the services of an external consultant to benchmark the performance of fund managers and to provide advice on investment policies and practices.

Fair Value Hierarchy

(thousands of dollars)	Fair Value		
	2011	2010	Jan. 1, 2010
Level 1			
Cash and cash equivalents	**$ 15,785**	$ 17,806	$ 6,966
Equity	**460,653**	498,761	464,480
	476,438	516,567	471,446
Level 2			
Fixed term investments	**263,686**	249,171	235,506
Real Estate	**13,315**	-	-
	277,001	249,171	235,506
Level 3			
ABCP	**2,380**	2,216	1,838
	$ 755,819	$ 767,954	$ 708,790

The following sections describe the key financial risk exposures and management strategies to mitigate these risks.

Credit risk management

Credit exposure on fixed income securities arises from the possibility that the issuer of an instrument fails to meet its obligation to make interest payments and repay principal. At December 31, 2011, 88.7% [2010, 90.1%] of the fixed income assets in the portfolio have at least an 'A' credit rating. The Commission does not anticipate that any issuers will fail to meet their obligations.

The Commission may invest in short-term commercial debt or paper rated R1 or higher. Provincial short-term debt and debt of agencies guaranteed by the provinces may be rated lower than R1. The short-term portfolio investments held with any one corporate issuer is limited to 10%, at any given time, of the Commission's estimated annual cash receipts.

Currency risk

Currency risk is the risk that the value of financial assets and liabilities denominated in foreign currencies will fluctuate due to changes in their respective exchange rates compared to the Canadian dollar. Investments denominated in foreign currency are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. Forward foreign exchange and future contracts are used to hedge the currency risk of certain foreign denominated fixed-term investments. Hedge accounting has not been applied to hedging arrangements. The Commission does not undertake hedging strategies for the currency risk of foreign equity investments.

As at December 31, 2011, the Commission's holdings in foreign equities and pooled equity funds had a market value of $191.3 million [2010; $203.3 million] representing 25.3% [2010 – 26.5%] of the market value of the total investment portfolio.

The table below presents the negative effect of a 10% appreciation in the value of the Canadian/U.S. dollar and the Canadian dollar/Euro on the value of the equity portfolio.

(thousands of dollars)	**2011**		2010	
	CAD/USD	**CAD/EURO**	CAD/USD	CAD/EURO
10% appreciation in the Canadian dollar	**$ (10,571)**	**$ (2,596)**	$ (10,787)	$ (1,591)

Interest rate risk

Interest rate risk is the risk that the value of a financial security will fluctuate due to changes in market interest rates. The Commission is exposed to interest rate risk through investment in fixed income securities. Interest rate risk is managed through diversification of fixed income securities through sector allocation and security duration.

The table below presents the negative effects of a 50 basis point (bps) and 100 bps adverse changes in interest rates on the fixed income portfolio:

(thousands of dollars)	**2011**		2010	
Change in nominal interest rates	**+50bps**	**+100bps**	+50bps	+100bps
Nominal bonds	**$ (8,387)**	**$ (16,493)**	$ (7,887)	$ (15,776)

8. RISK MANAGEMENT (continued)

The table below represents the remaining term to maturity of the Commission's fixed-term investments:

(thousands of dollars)	Remaining Term to Maturity			
Fixed term Investments	Within 1 year	Within 1 to 5 years	Over 5 years	Total
2011 Fair Value	**$ 23,297**	**$ 74,622**	**$ 168,147**	**$ 266,066**
2010 Fair Value	**$ 41,932**	**$ 28,317**	**$ 181,138**	**$ 251,387**
Jan 1. 2010 Fair Value	**$ 25,137**	**$ 63,935**	**$ 148,272**	**$ 237,344**

Liquidity risk

Liquidity risk is the risk that the Commission will be unable to meet its contractual obligations and financial liabilities. The Commission manages liquidity risk by monitoring its cash flows and by ensuring that it has sufficient cash and credit facilities available to meet its obligations and liabilities.

Market risk

Market risk is the risk that the fair value of marketable securities or long-term investments will change as a result of changes in the market price. Market prices of securities are subject to change as a result of perceived or real underlying changes in the economic condition of the issuer, the relative price of alternative investments, and general market conditions.

The Commission manages market risk through adherence to an investment policy that prescribes an asset mix that provides for the diversification of risk across a broad group of securities that meet the long-term return objectives of the investments portfolio.

The table below presents the effect of a material change in the key risk variable, the sector benchmark, for each of the equity mandates in the Commission's equity portfolio.

(thousands of dollars)	**2011**		2010	
Equities	1 std dev	2 std dev	1 std dev	2 std dev
% Change in market benchmark	**(17.0%)**	**(34.0%)**	(16.7%)	(33.5%)
Canadian equity	**$ (40,254)**	**$ (70,295)**	$ (44,123)	$ (77,181)
% Change in market benchmark	**(12.7%)**	**(25.4%)**	(12.9%)	(25.8%)
U.S. equity	**$ (15,000)**	**$ (28,000)**	$ (11,732)	$ (21,059)
% Change in market benchmark	**(14.9%)**	**(29.8%)**	(15.2%)	(30.5%)
Foreign equity	**$ (3,000)**	**$ (5,000)**	$ (13,298)	$ (23,491)

9. PROPERTY, PLANT AND EQUIPMENT

(thousands of dollars)	2011			2010	January 1, 2010
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value	Net Book Value
Land	**$ 3,000**	**$ -**	**$ 3,000**	$ 3,000	$ 3,000
Building	**10,727**	**5,946**	**4,781**	4,977	5,200
Furniture and equipment	**2,698**	**2,455**	**243**	291	339
Computer equipment	**6,542**	**5,934**	**608**	701	865
	$ 22,967	**$ 14,335**	**$ 8,632**	$ 8,969	$ 9,404

(thousands of dollars)	2011			
	Opening Balance	Additions/ Depreciation	Disposals	Closing Balance
Cost				
Land	$ 3,000	$ -	$ -	$ 3,000
Buildings	10,810	-	(83)	10,727
Furniture & equipment	2,715	39	(56)	2,698
Computer equipment	6,252	385	(95)	6,542
Total	**22,777**	**424**	**(234)**	**22,967**
Accumulated Depreciation				
Land	-	-	-	-
Buildings	5,833	195	(83)	5,945
Furniture & equipment	2,424	87	(56)	2,455
Computer equipment	5,551	479	(95)	5,935
Total	**13,808**	**761**	**(234)**	**14,335**
Net Book Value	**$ 8,969**	**$ (337)**	**$ -**	**$ 8,632**

9. PROPERTY, PLANT AND EQUIPMENT (continued)

(thousands of dollars)	2010			
	Opening Balance	Additions/ Depreciation	Disposals	Closing Balance
Cost				
Land	$ 3,000	$ -	$ -	$ 3,000
Buildings	10,835	(25)	-	10,810
Furniture & equipment	2,760	42	(87)	2,715
Computer equipment	6,854	598	(1,200)	6,252
Total	**23,449**	**615**	**(1,287)**	**22,777**
Accumulated Depreciation				
Land	-	-	-	-
Buildings	5,635	198	-	5,833
Furniture & equipment	2,422	88	(86)	2,424
Computer equipment	5,988	762	(1,199)	5,551
Total	**14,045**	**1,048**	**(1,285)**	**13,808**
Net Book Value	**$ 9,404**	**$ (433)**	**$ (2)**	**$ 8,969**

10. INTANGIBLE ASSETS

(thousands of dollars)	Cost	Accumulated Amortization	Net Book Value
Balance at January 1, 2010	$ 26,110	$ (13,945)	$ 12,165
Additions	3,336	242	3,578
Disposals	(10,261)	10,261	-
Amortization	-	(1,373)	(1,373)
Closing balance December 31, 2010	**19,185**	**(4,815)**	**14,370**
Additions	2,433	-	2,433
Disposals	(69)	69	-
Amortization	-	(1,730)	(1,730)
Closing balance December 31, 2011	**$ 21,549**	**$ (6,476)**	**$ 15,073**

Intangible assets include systems development costs for 2011 in the amount of $2,045,000 [2010 - $4,961,000] related to business improvement projects.

11. BANK INDEBTEDNESS

The Commission has established an operating line of credit with its banker in the amount of $20,000,000. Advances on the line of credit bear interest at the bank's prime interest rate minus 0.4%. The credit facility is unsecured and was utilized during 2011 to the amount of $10,000,000; of which no amount was outstanding at December 31, 2011 and 2010; and January 1, 2010.

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

(thousands of dollars)	**2011**	2010	Jan. 1 2010
Accounts payable	**$ 10,881**	$ 10,676	$ 8,376
Amounts due to employees	**1,209**	1,033	1,002
Credit balances due to employers	**3,172**	4,232	2,874
	$ 15,262	$ 15,941	$ 12,252

In 2011, accounts payable include a provision in the amount of $5,099,000 [Dec. 31, 2010 - $5,356,000; Jan. 1, 2010 - $2,100,000] for amounts owing to employers under the Commission's PRIME practice incentive program.

13. ASSESSMENTS REVENUE

The Commission administers *the Act* for two groups of employers, referred to as assessment-based employers and self-insured employers. Assessment-based employers are insured through "collective liability" and are required to contribute to the Commission's injury fund, whereas self-insured employers are individually liable. The Commission pays the actual cost of claims for self-insured employers and bills them on a monthly basis for payments related to short-term disability, health care, rehabilitation, extended earnings loss, permanent functional impairment awards and survivor benefits, together with their proportionate share of administration costs.

(thousands of dollars)	**2011**	2010
Gross assessed employers	**$ 181,476**	$ 160,598
Assessment reporting penalties & interest	**1,499**	1,352
PRIME refunds	**(5,099)**	(5,356)
Net assessment revenue	**177,876**	156,594
Self-insured employers [note 22]	**10,491**	9,626
Total	**$ 188,367**	$ 166,220

14. BENEFIT LIABILITIES AND CLAIMS COSTS

An independent consulting actuary completes a valuation of benefit liabilities of the Commission on an annual basis. An analysis of the components of, and changes in, benefit liabilities is as follows:

(thousands of dollars)	2011							2010	January 1, 2010
	Short-term disability	Long-term disability	Survivor benefits	Health care	Rehabilitation	Future admin. Cost	**Total**	Total	Total
Balance, beginning of year	$ 47,840	$ 479,945	$ 53,381	$ 200,013	$ 3,215	$ 54,907	$ 839,301	$ 831,299	$ 807,998
Add:									
Claims costs incurred:									
Current-year injuries	26,557	28,750	1,228	32,917	1,062	-	90,514	86,159	95,286
Prior years' injuries	3,356	36,388	4,131	15,307	482	3,911	63,575	62,840	61,047
	29,913	65,138	5,359	48,224	1,544	3,911	154,089	148,999	156,333
Deduct:									
Claims payments:									
Current-year injuries	9,779	578	135	8,958	35	-	19,485	17,233	17,900
Prior years' injuries	20,042	54,753	7,471	30,672	1,081	-	114,019	111,306	108,407
	29,821	55,331	7,606	39,630	1,116	-	133,504	128,539	126,307
Balance before actuarial adjustments	47,932	489,752	51,134	208,607	3,643	58,818	859,886	851,759	838,024
Actuarial adjustments	466	(4,740)	2,588	3,562	(475)	(2,646)	(1,245)	(12,458)	(6,725)
Balance, end of year	$ 48,398	$ 485,012	$ 53,722	$ 212,169	$ 3,168	$ 56,172	$ 858,641	$ 839,301	$ 831,299

14. BENEFIT LIABILITIES AND CLAIMS COSTS

The benefit liabilities are based on projections of future benefit payments which reflect long-term estimates of economic and actuarial assumptions and methods, modified for current trends. These assumptions may vary over time, and it is possible that changes in assumptions could have a material impact on the actuarial present value of future benefit liabilities.

The table below lists the principal economic assumptions used.

	2011		2010	
	CPI-Indexed awards	**Other payments**	CPI-Indexed awards	Other payments
Gross rate of return	**7.12%**	**7.12%**	7.12%	7.12%
Inflation year 1	**2.50%**	**3.50%**	0.70%	3.50%
Inflation later years	**3.50%**	**3.50%**	3.50%	3.50%
Net rate of return year 1	**4.51%**	**3.50%**	6.38%	3.50%
Net rate of return later years	**3.50%**	**3.50%**	3.50%	3.50%

The table below highlights the sensitivity of benefit liabilities and claims costs to changes in the key assumptions.

(millions of dollars)

1% Change in assumption	**Impact**	**Benefit Liabilities**	**Claims Costs**
Decrease discount rate	**Increase**	**$ 57.3**	**$ 3.2**
Increase inflation rate	**Increase**	**$ 32.7**	**$ 1.1**
Increase health care inflation	**Increase**	**$ 20.3**	**$ 1.7**

14. BENEFIT LIABILITIES AND CLAIMS COSTS (continued)

Claims Development

(thousands of dollars)

Accident Year	2007 and prior	2008	2009	2010	2011	Total
Estimate of cumulative claims:						
At end of year of accident	$ 3,223,731	$ 149,568	$ 186,721	$ 147,535	$ 154,019	
One year later	3,217,298	139,326	166,238	142,442		
Two years later	3,235,446	132,818	167,445			
Three years later	3,205,412	134,934				
Four + years later	3,201,504					
Estimate of cumulative claims	3,201,504	134,934	167,445	142,442	154,019	**3,800,344**
Cumulative payments	(2,087,549)	(48,535)	(44,096)	(34,744)	(17,655)	**(2,232,579)**
Estimate of future payments	1,113,955	86,399	123,349	107,698	136,364	**1,567,765**
Effect of discounting	(537,109)	(45,686)	(68,511)	(49,474)	(64,517)	**(765,297)**
Effect of admin expenses	40,379	2,850	3,839	4,076	5,029	**56,173**
Benefit Liabilities at December 31, 2011	**$ 617,225**	**$ 43,563**	**$ 58,677**	**$ 62,300**	**$ 76,876**	**$ 858,641**

15. EMPLOYEE FUTURE BENEFITS

Public Service Pension Plan

The Commission's contributions to the Public Service Pension Plan of $1,675,800 [2010 - $1,582,000] are included in administration expenses and have been expensed as incurred.

Severance Payments

The Commission provides a severance payment to employees upon retirement, resignation or termination without cause. In 2011, cash payments to retirees for its unfunded employee future benefits amounted to $105,000 [2010 - $210,000]. The last actuarial valuation was performed effective December 31, 2009, and an extrapolation of that valuation has been performed to December 31, 2011. The next actuarial valuation will be performed as at December 31, 2012.

15. EMPLOYEE FUTURE BENEFITS (continued)

(thousands of dollars)	2011	2010
Accrued benefit obligation, beginning of year	**$ 4,137**	$ 3,461
Benefit expense		
Current service cost	**260**	214
Interest cost	**215**	165
Actuarial loss	**166**	507
	641	886
Benefits paid	**(105)**	(210)
Accrued benefit obligation, end of year	**$ 4,673**	$ 4,137

The significant actuarial assumptions used in measuring the accrued benefit obligation and benefit expense are as follows:

	2011	2010
Discount rate – benefit cost	**5.0%**	6.0%
Discount rate – accrued benefit obligation	**4.5%**	5.0%
Rate of compensation increase	**3.5%**	3.5%

16. ADMINISTRATION

(thousands of dollars)	2011	2010
Salaries and employee benefits	**$ 26,911**	$ 25,445
Office and communications	**2,566**	2,299
Professional fees	**1,188**	998
Building operations	**1,342**	890
Travel and vehicle operating	**536**	538
	$ 32,543	$ 30,170

17. LEGISLATED OBLIGATIONS

The Commission is required by legislation to fund a portion of the operating costs of the Occupational, Health and Safety Branch of Service NL (formerly the Department of Government Services) in delivering their occupational health and safety mandate and all of the costs of the Workplace Health, Safety and Compensation Review Division and the Statutory Review. The Commission also reimburses the provincial government for a portion of the operating costs of the Department of Advanced Education and Skills (formerly the Department of Human Resources, Labour and Employment) and the Labour Relations Agency in respect of administering the *Act*. The Commission is required to fund the operating costs of the employer and worker advisor positions. Total expenses incurred by the Commission for legislated obligations are detailed below:

(thousands of dollars)	**2011**	2010
Government Departments and Labour Relations Agency	**$ 5,645**	$ 5,355
Workplace Health, Safety and Compensation Review Division	**807**	791
Employer and Worker Advisors	**500**	503
	$ 6,952	$ 6,649

18. OTHER EXPENSES

(thousands of dollars)	**2011**	2010
Sectoral advisors and grants	**$ 240**	$ 454
Business improvement projects	**1,280**	804
	$ 1,520	$ 1,258

19. RESERVES

As provided by legislation, the Commission maintains a reserve for funding studies, projects and research relating to the enhancement of occupational health and safety in the workplace. During 2011, an amount of $80,000 was charged to the reserve [2010 - $175,000].

20. RELATED PARTY TRANSACTIONS

These financial statements include amounts resulting from normal operating transactions with various provincial government departments, agencies, and Crown corporations with

20. RELATED PARTY TRANSACTIONS (continued)

which the Commission may be considered related. The provincial government is also a self-insured employer, and account balances resulting from these transactions are included in the financial statements and are settled under normal trade terms.

The Commission has identified the Board of Directors and Senior Management team as related parties. The Senior Management team includes the CEO, Executive Director of Employer Services, Executive Director of Worker Services, Chief Financial and Information Officer, Executive Director of Corporate Services, Director of Communications, Director of Human Resources, General Counsel and Corporate Secretary, and Executive Assistant. Salary and benefits related to these parties is shown below:

(thousands of dollars)	**2011**		2010	
	Number	**Total**	Number	Total
Board of Directors	**9**	**$ 121**	9	$ 142
Senior Management	**9**	**$ 1,304**	9	$ 1,255

21. INDUSTRY LEVY

The Commission has levied a surcharge of $0.10 per $100 of payroll on employers in the construction sector to fund a portion of the operating costs of safety and health training programs conducted by the Newfoundland and Labrador Construction Safety Association. The amounts collected on behalf of the association totaled $865,500 in 2011 [2010 - $694,300] and are not included in the statement of operations.

22. SELF-INSURED EMPLOYERS

These financial statements include the effects of transactions carried out for self-insured employers, principally federal and provincial government bodies, who directly bear the costs of their own incurred claims and a share of administration costs. The claims costs and administrative expenses included in assessments revenue on the statement of operations are as follows:

22. SELF-INSURED EMPLOYERS (continued)

(thousands of dollars)	2011	2010
Claims costs incurred:		
Short-term disability	$ 1,268	$ 1,130
Long-term disability	3,984	3,595
Survivor benefits	571	580
Health care	2,779	2,609
Administration charges	1,889	1,712
Revenue from self-insured employers	$ 10,491	$ 9,626

The benefit liabilities related to self-insured employers have not been included in the benefits liabilities account, as these liabilities will be borne by those employers when paid in future years.

23. COMMITMENTS

The Commission has committed to operating lease payments for office premises and equipment for the years 2012 to 2014 in the amount of $202,000 annually.

24. CONTINGENCIES

The Commission may be liable for the future costs of claims relating to certain latent occupational diseases which may have occurred in the current year or previously, but which may not be recognized and reported for a number of years due to the extended latency period of such diseases. Because of the absence of reliable evidence and data pertaining to these matters, the liabilities cannot be reasonably estimated and have not been recorded in these financial statements.

25. TRANSITION TO IFRS

The Commission has adopted IFRS as of January 1, 2011 and has applied these standards retrospectively. The effect of the Commission's transition to IFRS from Canadian GAAP, described in Note 2, is summarized in this note as follows:

a) Transition exemptions and exceptions applied
b) Reconciliation of fund deficiency and comprehensive income as previously reported under Canadian GAAP to IFRS

25. TRANSITION TO IFRS (continued)

c) Adjustments to the statement of cash flows
d) Presentation differences
e) Notes to the reconciliation of fund deficiency and comprehensive income

In this note the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS and the term "GAAP" refers to generally accepted accounting principles in Canada after the adoption of IFRS.

a) Transition exemptions and exceptions applied

In accordance with IFRS transitional provisions, the Commission has elected to use fair value as deemed cost for certain of its property, plant and equipment in its opening statement of financial position. As described further in note 25e(*ii*) the Commission has elected to measure the land and building at January 1, 2010 at fair value and to use that fair value as deemed cost at that date.

b) Reconciliation of fund deficiency and comprehensive income as previously reported under Canadian GAAP to IFRS

A reconciliation of how the transition from Canadian GAAP to IFRS has affected the fund deficiency of the Commission and its financial performance is set out in the following tables and the notes that accompany the tables.

25. TRANSITION TO IFRS (continued)

Reconciliation of Statement of Financial Position
As at January 1, 2010 and December 31, 2010

(thousands of dollars)	Canadian GAAP December 31, 2010	2010 Adjustments	**IFRS December 31, 2010**	Canadian GAAP January 1, 2010	Effect on transition to IFRS	**IFRS January 1, 2010**
Assets						
Cash and cash equivalents	$ 7,885	$ -	**$ 7,885**	$ 101	$ -	**$ 101**
Accounts receivable	10,432	-	**10,432**	13,865	-	**13,865**
Investments (Note 25e)*i)*	768,105	(151)	**767,954**	710,007	(1,217)	**708,790**
Property, plant and equipment (Note 25e)*ii)*	3,372	5,597	**8,969**	3,925	5,479	**9,404**
Intangible assets	14,370	-	**14,370**	12,165	-	**12,165**
	$ 804,164	$ 5,446	**$ 809,610**	$ 740,063	$ 4,262	**$ 744,325**
Liabilities						
Accounts payable and accrued liabilities (Note 25e)*iv)*	$ 15,681	$ 260	**$ 15,941**	$ 12,007	$ 245	**$ 12,252**
Employee future benefits (Note 25e)*v)*	3,134	1,003	**4,137**	2,636	825	**3,461**
Benefit liabilities	839,301	-	**839,301**	831,299	-	**831,299**
Total liabilities	858,116	1,263	**859,379**	845,942	1,070	**847,012**
Fund Deficiency (Note 25e)*vi)*	(53,952)	4,183	**(49,769)**	(105,879)	3,192	**(102,687)**
	$ 804,164	$ 5,446	**$ 809,610**	$ 740,063	$ 4,262	**$ 744,325**

25. TRANSITION TO IFRS (continued)

Reconciliation of **Statement of Operations and Fund Deficit**
Year ended December 31

(thousands of dollars)	2010	Effect on transition to IFRS	2010 IFRS
Revenue			
Net assessments revenue	**$ 166,259**	$ (39)	**$ 166,220**
Investment income (Note 25e)*i*)	**35,199**	30,018	**65,217**
Third-party recoveries	**1,080**	-	**1,080**
	202,538	29,979	**232,517**
Expenses			
Claims costs incurred			
Short-term disability	**29,883**	-	**29,883**
Long-term disability	**65,496**	-	**65,496**
Survivor benefits	**5,843**	-	**5,843**
Health care	**42,614**	-	**42,614**
Rehabilitation	**1,288**	-	**1,288**
Future administration costs	**3,875**	-	**3,875**
	148,999	-	**148,999**
Administration (Note 25e)*iv and v*)	**29,977**	193	**30,170**
Actuarial adjustments	**(12,458)**	-	**(12,458)**
Legislated obligations	**6,649**	-	**6,649**
Investment fund & banking fees (Note 25d)	-	2,627	**2,627**
Amortization (Note 25e)*iii*)	**2,296**	(117)	**2,179**
Other expenses	**1,258**	-	**1,258**
	176,721	2,703	**179,424**
Surplus from operations	**25,817**	27,276	**53,093**
Accumulated deficit (Note 25e)*vi*)			
Balance, beginning of year	**(106,694)**	3,192	**(103,502)**
Operating surplus	**25,817**	27,276	**53,093**
Accumulated other income	**26,285**	(26,285)	-
Reserves	**640**	-	**640**
Fund deficit, end of year	**$ (53,952)**	$ 4,183	**$ (49,769)**

c) Adjustments to the Statement of Cash Flows

There were no adjustments to the consolidated statements of cash flow as a result of the conversion to IFRS.

25. TRANSITION TO IFRS (continued)

d) Presentation Differences

Certain presentation differences between Canadian GAAP and IFRS have no impact on reported profit or total equity. Investment Fund Manager Fees and Bad Debt Expense have been reclassified into a separate line item under IFRS rather than being shown net in Investment Income and Assessment Revenue under Canadian GAAP.

e) Notes to the Reconciliations

Note i - Investments

Under Canadian GAAP, investments were designated as available for sale and recorded at fair value. Gains and losses realized on the disposal of investments are recorded in operating surplus during the year. Unrealized gains and losses were recorded in other comprehensive income until realized. Interest and dividend income were recognized in the period earned. Any evidence of impairment in value other than temporary is recognized in the statement of operations as the investment is reduced to the extent it is impaired.

Under IFRS the Commission has early adopted IFRS 9 – Financial Instruments in which unrealized gains and losses are flowed through investment income during the period instead of being recorded in comprehensive income as was done under Canadian GAAP.

In accordance with IFRS 9 – Financial instruments, investments are recorded at fair market value. The Commission has elected to early adopt IFRS 9 on transition date January 1, 2010. A transitional adjustment on January 1, 2010 resulted in a $1.2 million decrease in investments with a corresponding charge to the opening balance of the deficit at January 1, 2010.

Investments

(thousands of dollars)	**Total**
Opening balance at January 1, 2010 as reported under Canadian GAAP	**$ 710,007**
Adjustment to fair value under IFRS 9	**(1,217)**
Adjusted balance at January 1, 2010	**708,790**
Increase in 2010 Investments under Canadian GAAP	**59,315**
IFRS Adjustment	**(151)**
Closing balance under IFRS December 31, 2010	**$ 767,954**

25. TRANSITION TO IFRS (continued)

Investment Income

(thousands of dollars)	Canadian GAAP	IFRS Adjustment	IFRS
Investment income and dividends	$ 20,523	$ -	$ 20,523
Realized gains on investments	17,205	(13,531)	3,674
Interest on short term investments	137	-	137
Investment fund manager fees	(2,666)	2,666	-
Unrealized gain on investments	-	40,883	40,883
	$ 35,199	$ 30,018	$ 65,217

Note ii – Property, Plant and Equipment

Under Canadian GAAP, the property, plant and equipment was reported at cost and amortized monthly on a straight-line basis over their estimated useful lives.

The Commission has elected under the transitional provisions contained in IFRS 1 to apply fair value as deemed cost for its land and building at January 1, 2010. An independent third party evaluated the fair value of the land and building at this date. The Commission also reviewed the useful life of the building at January 1, 2010 and determined the remaining estimated useful life was 35 years. In comparison, under Canadian GAAP, prior to the re-evaluation the building had a remaining useful life of 8 years at January 1, 2010.

The impact arising from the change is summarized in the table below. At January 1, 2010, property, plant and equipment increased by $5.5 million, with a corresponding decrease in the opening balance of the deficit at January 1, 2010.

25. TRANSITION TO IFRS (continued)

Property Plant & Equipment – Net Book Value

(thousands of dollars)	Land	Building	Furniture and Equipment	Computer Equipment	Total
Balance Jan. 1, 2010 reported under Canadian GAAP	$ 11	$ 2,710	$ 339	$ 865	**$ 3,925**
IFRS Adjustments	2,989	2,490	-	-	**5,479**
Adjusted balance Jan. 1, 2010 under IFRS	3,000	5,200	339	865	**9,404**
Additions / Disposals	-	(25)	41	597	**613**
Amortization	-	(198)	(88)	(762)	**(1,048)**
Closing balance under IFRS December 31, 2010	**$ 3,000**	**$ 4,977**	**$ 292**	**$ 700**	**$ 8,969**

Note iii – Amortization

The Commission has elected in accordance with IFRS 1 to apply fair value as deemed cost for the measurement of the land and building at January 1, 2010. The increase in the asset value along with an increase in estimated useful life from 8 years to 35 years remaining has resulted in a decrease in the amortization to be expensed in 2010.

The impact arising from the change in amortization is summarized in the table below. For the year ended December 31, 2010, amortization expense decreased $117,000, with a corresponding increase in the surplus from operations for the year.

(thousands of dollars)	Land	Building	Furniture and Equipment	Computer Equipment	Intangible Assets	Total
Amortization December 31, 2010 Canadian GAAP	$ -	$ 315	$ 88	$ 762	$ 1,131	**$ 2,296**
IFRS Adjustment	-	(117)	-	-	-	**(117)**
Amortization December 31, 2010 IFRS	**$ -**	**$ 198**	**$ 88**	**$ 762**	**$ 1,131**	**$ 2,179**

Note iv – Employee Sick Leave

IFRS requires that a provision be recognized for sick leave benefits earned by employees in one period and expected to be taken in future periods. Accordingly the Commission has recognized a liability for earned sick leave.

25. TRANSITION TO IFRS (continued)

Note v – Employee Future Benefits

Under Canadian GAAP, an attribution period from the date of hire to the date of the expected payment of severance benefits was permitted since the benefit was a function of salary at the time of termination. Under IFRS, the attribution period extends only to the date when future service by the employee leads to no material amount of additional benefits under the plan, other than from future salary increases. This means that the attribution period extends only to the earlier of a) termination or b) when the employee reaches the maximum payment limit. This results in a shorter attribution period and consequently, a higher defined benefit obligation.

The transitional adjustment arising from the shorter attribution period resulted in a $825,000 increase in the fund deficiency at January 1, 2010.

At December 31, 2010 the administrative expenses and employee future benefit liability increased by $178,000 with a corresponding increase in the deficit from operations for the year.

Employee Future Benefits

(thousands of dollars)	Canadian GAAP	IFRS Adjustment	IFRS
Balance as of January 1, 2010	$ 2,636	$ 825	$ 3,461
2010 transactions	498	-	498
IFRS adjustment	-	178	178
Balance at December 31, 2010	$ 3,134	$ 1,003	$ 4,137

Note vi – Reconciliation of Accumulated Deficit & Fund Deficiency

Under IFRS, the beginning balance of accumulated operating deficit has been adjusted to reflect the changes to the decrease in investments (note 25e)*i*) and the increase in property, plant and equipment (note 25e)*ii*).

Under IFRS, the beginning balance of accumulated other comprehensive income ($2,042) has been reflected in the opening balance of accumulated operating deficit as summarized in the following table. Due to the early adoption of IFRS 9 – Financial Instruments, there is no accumulated other comprehensive income reported during 2010.

25. TRANSITION TO IFRS (continued)

Reconciliation of Accumulated Deficit and Fund Deficiency

At January 1, 2010

(thousands of dollars)	Canadian GAAP	IFRS Adjustment	2010 IFRS
Accumulated operating deficit			
Balance, beginning of year	$ (104,652)	$ -	$ (104,652)
Investment adjustment (Note e)*i*)	-	(1,217)	(1,217)
Property, plant and equipment adjustment (Note e)*ii*)	-	5,479	5,479
Sick leave provision (Note e)*iv*)	-	(245)	(245)
Employee future benefit adjustment (Note e)*v*)	-	(825)	(825)
Adjust beginning accumulated other comprehensive income	-	(2,042)	(2,042)
	(104,652)	1,150	(103,502)
Accumulated other comprehensive income (loss)			
Balance, beginning of year	(2,042)	2,042	-
Reserves			
Occupational Health and Safety Research	815	-	815
Fund deficiency, at January 1, 2010	**$ (105,879)**	**$ 3,192**	**$ (102,687)**

25. TRANSITION TO IFRS (continued)

Reconciliation of Accumulated Deficit and Fund Deficiency
Year Ended December 31, 2010

(thousands of dollars)	Canadian GAAP	IFRS Adjustment	2010 IFRS
Accumulated operating deficit			
Balance, beginning of year	$ (104,652)	$ -	$ (104,652)
Investment adjustment (Note e)*i*)	-	(1,217)	(1,217)
Property, plant and equipment adjustment (Note e)*ii*)	-	5,47E	5,47E
Sick leave provision (Note e)iv)	-	(245)	(245)
Employee future benefit adjustment (Note e)v)	-	(825)	(825)
Accumulated other comprehensive income opening adjustment	-	(2,042)	(2,042)
Operating surplus (deficit)	25,817	27,276	50,0E0
	(78,805)	28,426	(50,40E)
Accumulated other comprehensive income (loss)			
Balance, beginning of year	(2,042)	2,042	-
Other comprehensive income	26,285	(26,285)	-
	24,240	(24,240)	
Reserves			
Occupational Health and Safety Research	640	-	640
Fund deficiency, end of year	**$ (53,952)**	**$ 4,183**	**$ (49,769)**

FIVE-YEAR HISTORY
DECEMBER 31, 2011

Statement of Operations and Fund Deficiency for the Years Ending December 31

(thousands of dollars)	2011	2010	2009	2008	2007
Revenue					
Assessments	**$ 188,367**	$ 166,220	$ 160,582	$ 152,440	$ 139,120
Investment (loss) income	**(11,602)**	65,217	18,205	16,432	82,818
Third party recoveries	**1,049**	1,080	4,372		
	177,814	232,517	183,159	168,872	221,938
Expenses					
Claims costs incurred	**154,089**	148,999	156,333	146,935	138,304
Administration	**32,543**	30,170	27,340	26,897	23,828
Legislated obligations	**6,952**	6,649	6,588	6,424	6,145
Amortization	**2,491**	2,179	2,555	2,859	2,017
Fee and interest	**3,245**	2,627	3,431	3,327	4,307
Actuarial adjustments	**(1,245)**	(12,458)	(6,725)	(6,450)	(265)
Other	**1,520**	1,258	1,787	915	686
	199,595	179,424	191,309	180,907	175,022
(Deficit) surplus for the year	**(21,781)**	53,093	(8,150)	(12,035)	46,916
Fund deficiency, beginning of year	**(50,409)**	(103,502)	(188,756)	(30,276)	(9,245)
Reserve balance, beginning of year	**640**	815	839	889	913
Total fund deficiency, beginning of year	**(49,769)**	(102,687)	(187,917)	(29,387)	(8,332)
(Deficit) surplus for the year	**(21,781)**	53,093	(8,150)	(12,035)	46,916
Appropriation of reserve fund	**(80)**	(175)	(24)	(50)	(24)
Other comprehensive income (loss)			90,212	(146,445)	(67,947)
Total fund deficiency, end of year	**$ (71,630)**	$ (49,769)	$ (105,879)	$ (187,917)	$ (29,387)

* 2007 2009 presented under Canadian GAAP, 2010 2011 presented under IFRS